STRUCTURE-AGENCY AND INTERNATIONAL CONFLICT

STRUCTURE-AGENCY AND INTERNATIONAL CONFLICT: CAPABILITIES, IDENTITIES, RISK, AND DECISIONS

BY

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A Thesis

Submitted to the School of Graduate Studies

in Partial Fulfilment of the Requirements

for the Degree

Master of Arts

McMaster University

MASTER OF ARTS (2000)
(Political Science)

McMaster University
Hamilton, Ontario

TITLE: Structure-Agency and International Conflict: Capabilities, Identities, Risk, and Decision

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SUPERVISOR: Professor K. R. Nossal

NUMBER OF PAGES: vii, 202

ABSTRACT

This thesis suggests that the ongoing structure-agency debate in the international relations literature contains relevant insights that should be imported into the literature on international conflict, and, more concretely, that concerns with ideational structures should be incorporated into the more materialist concerns of conflict theorists. The theoretical sections of the thesis suggest that it is possible to develop new approaches to thinking about conflict theory without making either agents or structures ontologically primitive. Using modified formulations of power cycle theory, identity theory, and prospect theory, a synthetic argument incorporating elements of each is developed within a framework of structure and agency. The final chapter of the thesis examines the Falkland/Malvinas War and applies the theoretical argument to "test" the strengths and weaknesses of the theory. The thesis concludes by pointing out some areas of difficulty and possible paths for further research.

ACKNOWLEDGEMENTS

There are several people I am indebted to for their assistance and support in completing this thesis. Professor Frank Harvey, Dalhousie University, introduced me to many of the topics included in this thesis, and to international relations more generally. Professor Kim Richard Nossal, McMaster University, helped to deepen my understanding of international relations throughout my two years at McMaster. He also supervised the current thesis and provided a great deal of assistance, support, and criticism as each was needed. Professors Tony Porter and Robert O'Brien, both of McMaster University, read the thesis and provided helpful and insightful criticisms. Sandy and Sarah Irvine provided many laughs and stimulating discussions, as did the other graduate students at McMaster University. To everyone above, I owe my thanks.

Several other people have also been instrumental in providing the encouragement and support required to complete the work on this thesis. My grandmother, Ruby West, provided a place for me to live, fun and stimulating conversation, and a great deal of overall support. Ursula and Manfred Kolster were incredibly accommodating and supportive while I was living in Hamilton, and I will always appreciate the lengths to which they went to make me feel at home. Dorothee Kolster was always there to encourage me in my academic pursuits, and was patient, understanding, and supportive of my interests even though they were not her own. I would also like to say a special thanks to my parents and my brothers who have always provided tremendous encouragement in all aspects of my life.

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Introduction
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This thesis is concerned with both the empirical and ontological aspects of international conflict theories. Most work in this sub-field relies on a strictly "materialist" ontology, thereby negating the importance of "unobservable ideational structures". In other words, conflict theory has concerned itself with the "brute" facts out there in the real world, and has ignored the "institutional" facts made up by shared understandings and ideas.[1] This introduction will first briefly discuss the agent-structure problem, and its ontological implications, before outlining the key arguments of the thesis.

There has been sustained debate in recent years over the proper form of "theorizing" international relations. At the core of the debate are several related concerns bearing on the ontology and epistemology of most international relations theories. The agent-structure debate is embedded in the concerns over ontology and epistemology, but is derived first and foremost from the structuralist-individualist dichotomy.[2] In other words, how are international politics, or social phenomena in general, to be explained: using an approach based on individual choice, or on the opportunities and constraints presented by the environment? Examples of this debate can be found throughout the

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[1]John Searle, *The Construction of Social Reality*. (New York: The Free Press, 1995).

[2]This debate has also been characterized as "holist-individualist." An excellent discussion of these positions is found in Martin Hollis, *The Philosophy of Social Science*. (Cambridge: Cambridge University Press, 1994).

literature on international relations. Individualist approaches include: Bruce Bueno de Mesquita's expected utility theory[3]; and game theory based approaches advocated, for example, by Frank Harvey[4] and Thomas Schelling.[5] Structural approaches in international relations can be found in the works of Hedley Bull[6] and Kenneth Waltz,[7] for example. The individualist argues that the foundations for social science explanations are located in the choices and actions of individuals. Advocating a structural approach, according to individualists, fails as an explanatory method because structure is simply an aggregate of individual choices, apart from which structure cannot exist. A structuralist, on the other hand, rebuts that "social facts" exist above and beyond an aggregate of individual actions. Structure, holists assume, can be see as having an independent causal impact that is not attributable to individual interaction and choice, nor is it reducible to those elements. A brief example of each approach might provide a context for this discussion. A particularly strong proponent structuralist approach, Theda Skocpol, argued in her *States and Social*

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[3]Bruce Bueno de Mesquita, *The War Trap.* (New Haven: Yale University Press, 1981); Bueno de Mesquita also surveys structural and individual perspectives, coming down in favor of individualism, in Bruce Bueno de Mesquita, "Theories of International Conflict: An Analysis and Appraisal," in *Handbook of Political Conflict: Theory and Research.* ed. Ted Robert Gurr, (New York: The Free Press, 1980): 361-398.

[4]Frank Harvey, *The Future's Back: Nuclear Rivalry, Deterrence Theory, and Crisis Stability After the Cold War.* (Kingston: McGill-Queen's University Press, 1997).

[5]Thomas Schelling, *The Strategy of Conflict.* (Cambridge: Harvard University Press, 1960).

[6]Hedley Bull, *The Anarchical Society: A Study of Order in World Politics.* (London: MacMillian Press, Ltd., 1977).

[7]Kenneth Waltz, *Theory of International Politics.* (Reading Mass: Addison-Wesley, 1979).

Revolutions that the most effective way - the only way - to explain social revolutions is to "take a nonvoluntarist, structural perspective on their causes and processes."[8] In effect, Skocpol is seeking to demonstrate that macro structural change should be explained using other macro level variables rather than invoking a role for individual agency. In short, she argues that international competition and pressure, in conjunction with a pre-industrial agrarian economy that is increasingly overburdened and unable to provide the necessary resources and capital for the state to compete internationally, erodes the coercive capacity of the state and its ability to control its citizens. The collapse of the state and its structural transformation, then, is the result of the convergence of macro variables; the collective revolts - the individual component - is, in effect, reduced to a result or a byproduct of structural change.

In contrast to Skocpol's holist inclinations, Samuel Popkin has addressed the question of social revolution from an individualist orientation. His position assumes that individuals are the basis for building an explanation of peasant revolutions: an aggregate of individual choices, his argument goes, are the essence of a social movement, which is solely shaped in its early stages by organizational skills and a small amount of capital. Political entrepreneurs, the "political and religious organizers," help to influence the daily lives of the peasants, directing them slowly towards the establishment of organizations that can generate the support and the resources (revolutionary surplus) needed to undertake a

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[8]Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China,* (Cambridge: Cambridge University Press, 1979): 14.

national struggle.[9] These organizations generate not only the capital needed to finance the revolution, but more importantly they contributed to resolving pressing local concerns such as illiteracy, taxation, and land redistribution. In addressing concrete issues rather than abstract ideological revolutionary concerns, the political entrepreneurs created incentives for peasant participation.[10] Individuals, it is assumed in Popkin's approach, "evaluate the possible outcomes associated with their choices in accordance with their preferences and values. In doing this they discount the evaluation of each outcome in accordance with their subjective estimates of the likelihood of the outcome. Finally, they make the choice which they believe will maximize their expected utility."[11] The question that arises invariably, however, is to explain why self-interested individuals would contribute to goods that are largely non-excludable.[12] Here, the purpose of the political entrepreneur is essential: his or her role is to overcome the "free-rider" problem associated with collective action situations.

A key "problem" in the agent-structure debate is exemplified by the two examples

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[9]Samuel Popkin, "Political Entrepreneurs and Peasant Movements in Vietnam," in *Rationality and Revolution*, ed. Michael Taylor, (Cambridge: Cambridge University Press, 1988): 9; also see Samuel L. Popkin, *The Rational Peasant: The Political Economy of Rural Society in Vietnam*. (Berkeley: University of California Press, 1979).

[10]Michael Taylor, "Rationality and Revolutionary Collective Action," in *Rationality and Revolution,* ed. Michael Taylor (Cambridge: Cambridge University Press, 1988): 80.

[11]Samuel Popkin quoted in: Jeffrey Berejikian, "Revolutionary Collective Action and the Agent-Structure Problem," *American Political Science Review*, v86 (September, 1992): 650.

[12]For a full discussion of collective action problems see either: Mancur Olsen, *The Logic of Collective Action: Public Goods and the Theory of Groups*, (Cambridge: Harvard University Press, 1965); Russell Hardin, *Collective Action,* (Baltimore: Johns Hopkins University Press, 1982).

above: explanations, according to social theorists, should avoid the tendency to reduce agents to structures, or structures to agents, for the purposes of analysis. Michael Taylor, for example, argues that Skocpol reduces peasant revolutionary actions to effects of societal structural transformations, all the while ignoring the importance of peasant ideological beliefs that were crucial to these revolutions.[13] Similarly, Popkin's analysis reduces the community social structure to the effects of self-interest and the work of political entrepreneurs. However, this ignores the importance of the ideological and cultural considerations that help to explain the interests of the individual peasants.[14] The same problem arises in international relations according to Alexander Wendt:

> Neorealism and world-system theory embody, respectively, the first two of these positions [individualism and structuralism], both of which ultimately reduce one unit of analysis to the other. Thus, neorealists reduce the structure of the state system to the properties and interactions of its constituent elements, states, while world-system theorists reduce state (and class) to the reproduction requirements of the capitalist world system.[15]

The important point to be emphasized from Wendt's statement is that in both cases the ontological status of the theoretical approach reduces to only one of the two units of analysis. Waltz's *Theory of International Politics*, for example, which purports to be a

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[13]Michael Taylor, "Structure, Culture and Action in the Explanation of Social Change," in *Politics and Rationality.* eds. William James Booth, Patrick James, and Hudson Meadwell, (Cambridge: Cambridge University Press, 1993), 93.

[14]Taylor, "Structure, Culture, and Action," 94.

[15]Alexander Wendt, "The Agent-Structure Problem in International Relations Theory," *International Organization.* vol. 41, (Summer, 1987): 339.

structural explanation of state behaviour, is, in fact, based on an individualist ontology.[16] Martha Finnemore notes that while Waltz's theory "argues for the constraining force of international structure on state actors, the structure itself is an epiphenomenon of the preferences and powers of constituent states. It has no independent ontological status."[17] Accordingly, the distribution of capabilities, a unit level factor, is responsible the emergent structural properties of the international system.

The "constructivist" solution to this problem is to adopt a generative conceptualization of agents and structures. A generative approach is designed to overcome the "ontological agent-structure problem" which, in effect, asks two questions: how should agents and structures be conceptualized, and how are they interrelated?[18] When the agent-structure relationship is generative each unit depends on the relationship with the other for its identity.[19] The relationship is generative if core properties of each entity are explained by the relationship itself. In other words, agents explain key properties of structure, while structure explains central properties of the agents. If, however, agents cause structure but are not caused by structure, or, alternatively, if

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[16]See David Dessler, "What's at Stake in the Agent-Structure Debate," *International Organization*. vol.43 (Summer, 1989): 449.

[17]Martha Finnemore, *National Interests in International Society*. (Ithaca: Cornell University Press, 1996), 14.

[18]Gil Friedman and Harvey Starr, *Agency-Structure and International Politics: From Ontology to Empirical Enquiry*. (London: Routledge, 1997), 23.

[19]Wendt, "The Agent-Structure Problem," 346-347.

structures cause agents but are not caused by agents, the relationship is not generative.[20] Examples of a generative relationship include parent-child, professor-student, and master-slave. Wendt argues that:

> generative structures are sets of *internal relations*. To adopt a generative approach to theorizing about the structure of the international system, therefore, is to understand the state as an *effect* of its internal relations to other states and social formations in the would political economy, rather than purely as an untheorized *cause* of international events.[21]

Based on the belief that structures and agents are mutually constituted, constructivist scholars have argued that both agents and structures must be endogenized theoretically to avoid degenerative theory.[22] This implies that "upward conflation" or "downward conflation", which reduces the explanatory power to one of the two units, represents inadequately developed theory because it excludes the "reciprocal interplay" between the two.[23]

Arguing from a constructivist perspective, Finnemore suggests that, for the most part, mainstream international relations theory simply imputes preferences and interests to actors exogenously.[24] Since preferences cannot be derived internally from the theory's theoretical structure, the explanatory power of these approaches collapses when stripped

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[20]Finnemore, *National Interests,* 14.

[21]Wendt, "The Agent-Structure Problem," 346-347.

[22]Ibid., 339; Dessler, "What's at Stake," 443.

[23]Margaret Archer quoted in Walter Carlsnaes, "The Agency-Structure Problem in Foreign Policy Analysis," *International Studies Quarterly.* vol. 36, (1992): 249.

[24]Finnemore, "National Interests," 9.

of their externally imputed assumptions about preferences.[25] In defending the need for the theoretical endogenization of agents and structures, a constructivist approach seeks to define interests via the "duality of structure." Accordingly, both agents and structure are generative of the other. Finnemore notes that Waltz argues that "the international system....is important because it constrains states from taking actions they would otherwise take." Her approach, she suggests, is different: "the international system can change what states want. It is constitutive and generative, creating new interests and values for actors. It changes state action, not by constraining states with a given set of preferences from acting, but by changing their preferences."[26]

Constitutive theorizing, with its emphasis on internal social relations, is not entirely unproblematic, however. Since a generative approach implies causality running from structure to agents and vice versa, it is based on a causal understanding of the relationship. Similarly Taylor argues that a generative approach conflates agents and structures by strictly emphasizing the equal ontological status of the two : "to conflate structure and agency is to rule out from the start the possibility of explaining change in terms of their interaction *over time*."[27] In other words, the embeddedness of structure and agents in a historical-cultural environment, shaped recursively through time, implies that any attempt understand agent-structure relations will have to cut into this internal dialectic in order to

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[25]Ibid., 9.

[26]Ibid., 5-6.

[27]Taylor, "Structure, Culture, and Action," 124.

untangle the causal effects of one on the other. Wendt notes as much when he states: "this does not mean that a particular research endeavor cannot take some things as primitive: scientific practice has to start somewhere."[28]

A related concern raised by Friedman and Starr is that despite the descriptive appeal of the of a generative approach, for the purposes of explanation the conceptualization of the units must be independent.[29] Conceptualizations of units must satisfy two conditions for independence according to Friedman and Starr. The first, autonomy, follows from that fact that causal relations can only be established between autonomous concepts. The other criterion is variability: each independent unit must be able to show variation if it is to account for change in the properties of another unit.[30] "The need to bracket, or exogenize, some aspects of agency and/or structure, then, is a methodological rather than ontological problem."[31] Consequently, in order to explain the properties of each - agents and structures - as effects of the other, a researcher is required to conceptualize their units independently.

The constructivist rebuttal consists generally of the affirmation of the importance of internal relations. The teacher-student relationship, they argue, cannot be reduced to

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[28]Wendt, "The Agent-Structure Problem," 349.

[29]See Friedman and Starr, *Agency, Structure, and International Politics*, chp 2.

[30]For a full discussion see Friedman and Starr, *Agency, Structure, and International Politics,* 30-40.

[31]Ibid., 29.

the properties of the constitutive units because without one the other would not exist. Constructivists tend to argue that despite discussing the relationship's constitutive effects, students and teachers do not *cause* one another.[32] Friedman and Starr counter that the generative approach tends to conflate agency and social roles. They argue that:

> The internal relations at the heart of the generative approach identify and define not agency but *social roles and equate agency with social roles*. To illustrate, a generative conceptualization begins by defining a social relationship, say a master-slave relationship, and then defines agents as those phenomena which complete the relationship. That is, to say that structure generates agents is to say that agents represent, along with relations, the defining properties of structure....Conflation of agency with role also precludes theorizing about the defining properties of agency, subjectivity, and choice....It also fails to allow for distance between the agent's identity and particular social roles and for variability in that distance. That is slaves *qua* slaves, and masters *qua* masters, or classes *qua* classes, or states *qua* states are not interpretive entities.[33]

Consequently, adopting a generative approach undermines one of agency's most important properties, the ability to choose. By eliminating the process of choice it becomes difficult to account for the effects of intentional and unintentional consequences of actions on structure. Accordingly, the approach adopted in this thesis is causal, but it seeks to retain the ontological commitments of the constructivists.[34] The ontological position adopted,

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[32]See Alexander Wendt, *Social Theory of International Politics*. (Cambridge: Cambridge University Press, 1999), 83-88.

[33]Friedman and Starr, *Agency, Structure, and International Politics*, 42.

[34]Some constructivists argue that their ontological commitments are better suited to an interpretive rather than a causal (positivist) epistemology. See, Friedrich Kratochwil and John Gerard Ruggie, "International Organization: A state of the Art on an Art of the State," *International Organization*. vol. 40, (Autumn, 1986); and Friedrich Kratochwil, *Rules, Norms, and Decisions: On the Conditions of Practical and Legal Reasoning in International Affairs and Domestic Affairs*. (Cambridge: Cambridge University Press, 1989).

therefore, includes material structures, "unobservable" ideational structures, and a process of choice. Each of these units will be explored in more depth throughout the thesis.

The general purpose of this thesis is to import a constructivist, or scientific realist, ontology into the literature on international conflict. The argument, which is fully developed in chapter two, makes use of several pre-existing theoretical frameworks, and attempts, through some reconceptualization, to develop a process based theory of international conflict that can account for the effects of structures and agents on the outbreak of war. The general argument presented throughout the first two chapters, and applied in the third, suggests that the are important roles for all three relata: material structure, ideational structure, and agency. The argument developed throughout the thesis is premised on the assumption that a core "object," "issue," or "grievance" is a key component of theorizing about international conflict. Although this may appear to be a truism, most of the "scientific" literature on international conflict frequently ignores the stakes. The position taken here is not concerned with the type of issue at stake, however; it is concerned with the construction of state identities around an issue.

I argue that changes in material capabilities (power) lead state officials to question past regional foreign policy roles, and to face mounting uncertainty about their likely future roles.[35] A state whose officials believe that its power is growing relative to other

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[35]This discussion is loosely based on concepts and ideas found in Charles Doran, *Systems in Crisis: New Imperatives of High Politics at Century's End.* (Cambridge: Cambridge University Press, 1991).

regional powers will have an opportunity to (re)construct its regional identity and role.[36] If the state has no pressing regional grievances, the elasticity in the system will accommodate to the state's expanding regional role which accompanies its growing relative capabilities. On the other hand, it is argued, a state with a regional grievance will focus its new-found relative capabilities on addressing and reallocating its standing vis-a-vis the issue.

When growing relative capabilities and an issue grievance converge, a period of identity reconstruction is hypothesized. Three possible "ideal-type" interstate identity relationships are suggested: cooperative; rivalry; and fight. States with an active or latent issue grievance fall automatically into the category of rivals. The construction of the identity relationship, however, need not manifest hostility because a latent grievance may be constructed peripherally to the state's identity. In other words, other positive linkages between the two states will dampen the negative impact of the latent grievance. If, however, the grievance is constructed centrally to the state's identity, the issue will come to dominate the relations between the two states. When the issue is centrally constructed vis-a-vis the state's identity the relationship moves into the more dangerous fight phase. In this phase state foreign and security policies are oriented towards this issue, and the state's interests and aspirations are defined by the desire to see an issue reallocation.

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[36]Two assumptions implicit here that will be addressed in chapter one concern the conceptualization of agency and the relation of perceptions to material structures. It is assumed that elite officials are in charge of foreign policy decision making, and that their perceptions of material capabilities are highly important. The decision makers are assumed to have reasonably accurate perceptions of capabilities, their own and others. This does not preclude misperception, however. What is important are the beliefs of officials about material capabilities, whether correctly or incorrectly perceived.

It is further argued that the symbolic status of an issue is heightened by its centralization in the state's identity. The symbolism associated with the issue, the thesis suggests, leads officials to define their reference point regarding the issue at an aspiration level. Drawing on insights from prospect theory, I have argued that the social construction of the symbolic aspiration level, leads the status quo on the issue to be in the domain of loss relative to the aspiration point. Prospect theory argues that decision makers in the domain of loss will be risk seeking in their attempts to converge the current status quo with the constructed aspiration level. This leads decision makers to accept risky foreign policy options which heightens the likelihood of conflict.

Chapter one of the thesis explores the level of agency by examining two choice theoretic frameworks: rational choice, expected utility theory in particular; and prospect theory. Insights from the latter are integrated with the levels of material and ideational structure in the third chapter, while the fourth, and final chapter, seeks to apply and "test" the theoretical framework against case material from the 1982 Falkland/Malvinas War.

Chapter One
Expected Utility Theory and Prospect Theory: Summary and Key Concepts

Prospect theory represents an attempt to synthesize a series of recurrent anomalies that are found in standard interpretations of rational approaches to decision making. Daniel Kahneman and Amos Tversky, the developers of prospect theory, were able to incorporate many of these deviations into a single conceptual framework. Prospect theory, the result of their work, is a descriptive, not a normative, theory of decision making, since, as Jack Levy has noted, "prospect theory, and, in fact, all of behavioral decision theory, is defined in terms of behavioral deviations from expected-utility theory".[1] Consequently, both the explanation of prospect theory that follows and the case analysis later in the thesis will make both implicit and explicit reference to rational choice theories of decision making. The relationship that exists between rational and prospect based explanations of decision making have, however, led to several unfortunate consequences that should be quickly addressed prior to delving into the details of rational choice and prospect theory.

Although it will remain necessary to contrast explanations based on prospect and utility theories, there are limitations to the extent to which these types of comparisons are helpful. Prospect theory, for example, remains underdeveloped in certain respects, and should be seen in this light. Calls for its rejection based on theory-to-theory comparison

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[1]Jack Levy, "Prospect Theory, Rational Choice, and International Relations" *International Studies Quarterly*, vol. 41 (1997), 105.

are therefore somewhat premature, as Levy has suggested.[2] Nonetheless, analysts have tended to resort to various manifestations of Lakatosian evaluation criteria in their applications of prospect theory in international relations, and although this approach has gained popularity among certain groups of scholars some of Lakatos's central evaluation concepts are being ignored. The appeal of the Lakatosian approach, apart from its rejection of strict Popperian falsificationism, is its emphasis on testing theories within the context of the development of a research program. The benefit, according to proponents of the approach, is that a theory cannot be rejected solely by disconfirming tests; instead, disconfirming tests are required in conjunction with theory comparisons that emphasize the "empirical content" of each theory.[3] More explicitly, Lakatos suggests that:

> A scientific theory T is falsified if and only if another theory T^1 has been proposed with the following characteristics: (1) T^1 has excess empirical content over T: that is, it predicts novel facts, that is, facts improbable in the light of, or even forbidden by , T; (2) T^1 explains the previous success of T, that is, all the unrefuted content of T is included (within the limits of observational error) in the content of T^1; and (3) some of the excess content of T^1 is corroborated.[4]

Of course, this type of evaluation criteria may seem excessively stringent for social science applications, but it does raise important points; and, insofar as it seems to be guiding

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[2]Ibid., 97.

[3]For an interesting exchange dealing with these issues in the context of international relations see, Bruce Bueno de Mesquita, "Toward a Scientific Understanding of International Conflict: A Personal View," *International Studies Quarterly*. vol 29, (1985): 121-136; Robert Jervis, "Pluralistic Rigor: A Comment on Bueno de Mesquita,"*International Studies Quarterly*. vol 29, (1985): 145-149.

[4]Imre Lakatos, "Falsification and The Methodology of Scientific Research Programmes", in *Criticism and the Growth of Knowledge*. ed., Imre Lakatos and Alan Musgrave (Cambridge: Cambridge University Press, 1970), 116.

investigations of prospect theory, it deserves comment. Applications of prospect theory to international relations, such as those by Barbara Farnham, Frank Harvey, Rose McDermott, Janice Gross Stein and Louis Pauly, and Greg Witol, have all implicitly adopted an approach that assumes Lakatos's evaluation criteria.[5] When looking at Lakatos's evaluation criteria more closely, and when taken in the context of his epistemological orientation towards research programs, it is evident, as Levy has stressed, that we should attempt to develop independent applications of prospect theory that need not be explicitly compared to expected-utility theory. Although it may eventually be possible to apply this type of test in the future, for the time being it is simply detracting attention from potential avenues of research using insights from prospect theory.

It is also possible to reject this evaluation criteria - a least throughout a theoretical development phase, which is clearly where prospect theory remains - based on Lakatos's own work on research programs. A scientific research program, as originally conceived by Lakatos, involves both a "hard core" and a "protective belt". The hard core is composed of the unrefutable assumptions at the heart of the research program which

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[5]Barbara Farnham, "Roosevelt and the Munich Crisis: Insights from Prospect Theory," *Political Psychology*, no. 13 (1992); Frank Harvey, "Rationalite, Non-Rationalite et Theorie Prospective: un Programme de Recherche sur la Gestion des Crises Internationales," *Etudes Internationales*, vol. xxvii, no. 1 (1996); Rose McDermott, "Prospect Theory in International Relations: The Iranian Hostage Rescue Mission," *Political Psychology,* no 13 (1992); Janice Gross Stein, "International Co-operation and Loss Avoidance: Framing the Problem," *International Journal*, no 47(2), (1992); Greg Witol, "Expected-Utility Theory, Prospect Theory, and War: Explaining Decision Making in the Franco-Prussian War, the Japanese Attack on Pearl Harbor, and the Soviet Invasion of Afganistan," *M.A Thesis Dalhousie University*, (1995).

generate the hypotheses and theories that make up the protective belt.[6] It is the protective belt that bears the weight of tests and refutations, all the while shielding the hard core of the program. Evaluating the program, therefore, cannot be based solely on refutations in the protective belt; rather, the program is successful when it leads to a progressive problemshift - the hypotheses and theories lead to more empirically verified content and to further observable implications[7] - and unsuccessful when it leads to a degenerating problemshift which is characterized by attempts to reinforce the hard core of the program, rather than contributing new directions for research or further verification of the program's empirical content. From this perspective it is evident that theory-to-theory tests serve a purpose primarily when alternative theories have achieved a comparative level of development, which clearly is not the case here.

A research program that is in relatively early stages of development and that continues to generate both more empirical content and corroboration requires some space in which to grow. Since the research program evolving around prospect theory can be seen as progressive, attempts to refute it at this stage serve little purpose. Lakatos, himself, has suggested: "Purely negative, destructive criticism, like 'refutation' or demonstration of inconsistency does not eliminate a programme. Criticism of a

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[6]Lakatos, 133.

[7]For a discussion of the importance of using observable implications see: Gary King, Robert Keohane and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research*, (Princeton: Princeton University Press, 1994); Charles Lave and James March, *An Introduction to Models in the Social Sciences,* (New York: Harper Row Publishers, 1975). For an excellent example of the explicit use of observable implications for testing theories in case studies see: Stephen Van Evera, *The Causes of War: Power and the Roots of Conflict,* (Ithaca: Cornell University Press, 1999).

programme is a long and often frustrating process and one must treat budding programmes leniently".[8] Using a theory-to-theory test as a form of critical experiment between rational and psychological approaches, therefore, seems premature. James Morrow, working from a rational choice perspective, has expressed a similar sentiment when he notes that some psychological perspectives on choice "hold promise, but their proponents have much work to do before we can compare these methods to rational choice".[9]

Levy reaches a similar conclusion suggesting that more attention should be paid to developing weak aspects of prospect theory, and that, in the meantime, efforts should be made to link prospect theory to other frameworks that might provide insights into its application for international relations.[10] The purpose of this research falls into this final category: this thesis will represent a first cut at linking prospect theory into a framework of structure and agency using a series of concepts that have received tentative empirical support elsewhere in the international relations literature. In pursuing this approach, certain aspects of prospect theory will be more strongly emphasized than others in order to incorporate them into existing explanations of international conflict. This synthesis will be discussed throughout the next chapter, but before attempting to elaborate the theoretical synthesis a brief overview of rational choice and prospect theory is needed.

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[8]Lakatos, 179.

[9]James Morrow, "A Rational Choice Approach to International Conflict," in *Decision Making on Peace and War: The Cognitive Rational Debate*, ed. Alex Mintz and Nehemia Geva,

[10]Levy, "Prospect Theory, Rational Choice, and International Relations," 108.

Methodological Individualism & Rational Choice

There are several different forms of methodological individualism (MI) to be found in the social science literature, and attempting to survey the entirety of this material is unnecessary here. In order to explicate the ties between MI and rational choice, therefore, the work of Jon Elster, one of MI's foremost proponents, will be used to introduce the discussion. Jon Elster's work is characterized by most, including himself, as coming from the perspective of methodological individualism; indeed, Elster believes that individual actions are the "building blocs" of social science explanation,[11] and that proper explanations should therefore be grounded on those units.

Others have proposed, however, that the elementary units need not be the individual, they could also be the small group or organization. The transition from the individual to the small group according to these scholars can be done without a loss of explanatory continuity.[12] This argument, of course, has also been advanced in the literature on international relations. The unitary actor assumption is central to both classic realism and neo-realism that posits a single national interest can be attributed to a state.[13] Another assumption, somewhat different from the unitary actor assumption is an elite group decision making assumption. With this perspective different factors influencing the

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[11]Jon Elster, *Nuts and Bolts for the Social Sciences.* (Cambridge: Cambridge University Press, 1989), 13; Jon Elster, *Explaining Technical Change: A Case Study in the Philosophy of Science.* (Cambridge: Cambridge University Press, 1983), chp 1-3.

[12]Barry Hindess, *Political Choice and Social Structure.* (Aldershot: Elgar, 1989), chp 1.

[13]Kenneth Waltz, *Theory of International Politics.* (New York: Addison Wesley, 1979); Hans Morgenthau, *Politics among Nations.* 6th ed. (New York: Alfred Knopf, 1948).

group can be built in to the analysis so that the state is not necessarily considered homogenous.[14] In other words, there is no reason why structure must simply be posed as a system level factor. The influence of a domestic audience[15], bureaucratic politics[16], or other non-central government actors, could all potentially be built into an explanation of international behaviour and events. Each of these factors can be conceptualized, as they are by Friedman and Starr, as layers of structure that influence decision processes.[17] Furthermore, under specified conditions such as decisions during international crises where decision making often becomes highly centralized, individual level decision making approaches may warrant more consideration than at other times.[18] Turning back to Elster, then, it is important to keep in mind that although the discussion centers around the individual it can be extrapolated to incorporate other decision units.[19] Similarly, David

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[14]Zeev Maoz, *National Choices and International Processes.* (Cambridge: Cambridge University Press, 1990).

[15]James Fearon, "Domestic Political Audiences and the Escalation of International Disputes," *The American Political Science Review.* vol. 88, (1984).

[16]Graham Allison, "Conceptual Models of the Cuban Missile Crisis," in *International Relations Theory: Realism, Pluralism, Globalism.* ed. Paul Viotti and Mark Kauppi, (New York: MacMillan Publishing Company, 1993); Graham Allison and Morton Halperin, "Bureaucratic Politics: A Paradigm and Some Policy Implications" in *Theory and Policy in International Relations.* eds. Raymond Tanter and R.H. Ullman, (Washington: Brookings Institution, 1974).

[17]Gil Freidman and Harvey Starr, *Agency and Structure in International Politics: From Ontology to Empirical Enquiry.* (London: Routledge, 1997), 91.

[18]Bruce Bueno de Mesquita, "An Expected Utility Theory of International Conflict," *The American Political Science Review.* vol. 74, (December, 1980): 917; Bruce Bueno de Mesquita, *The War Trap.* (New Haven: Yale University Press, 1981), 19-28; Bruce Bueno de Mesquita, "The War Trap Revisited," *The American Political Science Review.* vol. 79, (1985): 157; Bruce Bueno de Mesquita and David Lalman, *War and Reason: Domestic and International Imperatives.* (New Haven: Yale University Press, 1992).

[19]Hindess, *Political Choice and Social Structure*, chp 1.

Lake and Robert Powell note that "by 'microfoundations' we do not intend to imply that all social interaction can or should be grounded in individual behavior. As noted above, who the relevant actors are is a pragmatic modeling assumption in the strategic-choice approach."[20]

An excellent reason for turning to Elster's approach is that he provides an excellent entry into a rational choice theory without being a mainstream advocate; his work is certainly not typical of most rational choice theories, but on a basic level the emphasis is the same. Elster moves beyond a strict interpretation of thin rationality, common in most rational approaches, adding greater depth to his material by introducing concerns over the rationality of beliefs as well as desires. The framework of analysis used by Elster is one of "choice within constraints" which is very useful for understanding the agent-structure problem, and is broad enough to incorporate different strands of the international relations literature. Although this thesis does not use a rational choice approach, prospect theory, which *is* a key component of this study, is developed in contrast to rational models and should be seen in that context. Despite the fact that the rational framework will be dropped after its introduction, Elster's idea of choice within constraints will be maintained and will appear throughout the text.

Elster's framework for understanding social life is to take individual actions as what are to be explained. Two filters are essential in explaining an action, according to

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[20]David Lake and Robert Powell, "International Relations: A Strategic Choice Approach," in *Strategic Choice and International Relations.* eds. David Lake and Robert Powell, (Princeton: Princeton University Press, 1999), 21.

Elster.[21] The first filter comprises the set of constraints faced by an actor which narrows the set of all abstractly possible options to those which are actually available to the decision maker. This process of filters determines a set of structural constraints on actions and creates the "opportunity set" or "feasible set" of actions facing the decision maker. This set, however, is not deterministic. A second filter is needed, therefore, to decide which among the available options will be chosen. In other words, decision makers assess actions that they consider to be "realistic" and establish a set of options that could be taken given the circumstances. This set of options, therefore, represents a series of "substitutable" choices that could be used to respond to a particular environment.[22] Choice among the substitutable options is the role of the second filter which specifies the decision rule to be used in making a selection among the options. Expected utility theory and prospect theory specify different decision rules used by decision makers when making a selection. Both of these filters, of course, require further specification, and the remainder of this chapter will be devoted to this task. First, standard rational choice decision strategy will be reviewed, and then prospect theory will be introduced against the background of the discussion of utility theory.

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[21]Elster, "Nuts and Bolts," 13.

[22]Harvey Starr, "Substitutability in Foreign Policy: Theoretically Central, Empirically Elusive," *Journal of Conflict Resolution*. vol. 44, (February, 2000); Glenn Palmer and Archana Bhandari, "The Investigation of Substitutability in Foreign Policy," *Journal of Conflict Resolution*. vol.44, (February, 2000).

Rational Choice: Expected Utility Theory

Jon Elster begins one of his many discussions of rational choice by noting "when faced with several courses of action, people usually do what they believe is likely to have the best overall outcome. This deceptively simple sentence summarizes the theory of rational choice."[23] In other words, behaviour is oriented towards outcomes. In this sense, rational choice is instrumental: the means themselves are not chosen for any intrinsic value of their own, they are strictly a way of achieving a specific end. The means-ends distinction can at times be trivial, but in most interesting cases it is not. Choosing between two options does not make those options means to an abstract end, but bringing about a chosen end often requires that we chose among alternative means. Thus, actions are chosen for their likelihood of producing a desired end result.

To fully develop a rational approach to decisions analysts have specified a set of criteria that define what it means to be rational. For the most part, rationality simply means that actors are purposive and goal seeking, and that they maintain a set of preferences that are consistent (they do not change order) and transitive (if A is preferred to B and B to C, then A must be preferred to C).[24] Working from these assumptions, rational choice advocates define the problem at hand - they specify a game - and the decision rules that are employed in the analysis.

The decision theories of interest here are expected value and expected utility

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[23]Elster, "Nuts and Bolts," 22.

[24]Lake and Powell, "Strategic Choice Approach," 7.

theory, and both have a common set of components that comprise them. The requirements for both theories are: (1) a set of actions that can be chosen by the decision maker from the feasible set; (2) a number of states of the world that represent all possible relevant conditions that are beyond the control of the decision maker, where only one state can occur at any time; (3) a set of outcomes that result from the combination of an action and a state, and that can be ordered in a way that satisfies the consistency and transitivity requirements outlined earlier. Using this set of components it is possible to model decisions under conditions of certainty, risk, and uncertainty.[25]

Expected utility theory which is the primary interest of this section of the paper is an elaboration and extension of expected value theory which can be used to calculate simple economic decisions. Expected value (EV) theory generally uses monetary units as outcomes. This simplifies the ordering of preferences over outcomes (dollars) because, in most cases, more dollars are better than less. To calculate EV is relatively straight forward: simply multiply the probability of an outcome occurring by the monetary value of the particular outcome. An example of a simple dice game will give an impression of how these calculations work.[26] The player in this example is faced with the choice of playing one of two games; the games both offer a chance to win money, but at different likelihoods. The player should choose the game that provides the greatest expected payoff.

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[25]For a more elaborate discussion of these criteria see the discussion in James Morrow, *Game Theory for Political Scientists.* (Princeton: Princeton University Press, 1994), 16-30.

[26]The dice game example is a modified version of an example given in Charles Lave and James March, *An Introduction to Models in the Social Sciences.* (New York: Harper Row, 1975), 94-98.

The first game is a simple roll of the dice where rolling a "1" or "2" pays $6, rolling a "3, 4 or 5" pays $12, and rolling a "6" pays $18. The game can be represented with the following decision tree:

	"1 or 2"	$6
Roll	"3, 4 or 5"	$12
	"6"	$18

The probability of each outcome occurring is found on each arm of the tree, while the outcome values are located at the terminal end of the diagram. To calculate the expected value of the game the following formula is used:

$$EV = P_1V_1 + P_2V_2 + ...+ P_nV_n$$

The calculation for this game is $EV = 1/3\ (6) + ½\ (12) + 1/6\ (18)$

$= 2 + 6 + 3$

$EV = 11$

This process can also be used to calculate the expected value of the second game as well. This game involves combining a coin toss with a dice roll to determine an outcome. The first part of the game involves flipping a coin: if the coin comes up heads you receive nothing, if it comes up tails, however, then a die is rolled to determine the payoff. A roll of "1 or 2" pays $12; a roll of "3, 4, or 5" pays $16; and a roll of "6" pays $30. A diagram of the game can be drawn as follows:

	Head	$0		
Flip			"1 or 2"	$12
	Tail	Roll	"3, 4 or 5"	$16
			"6"	$30

The EV calculation for this game would be: $EV = P_1V_1 + P_2V_2 + ...+ P_nV_n$

$= ½ (0) + ½ [1/3(12) + ½(16) + 1/6(30)]$

$= 0 + ½ [4 + 8 + 5]$

$= \$ 8.5$

When comparing the first and second games the simple expected value model suggests that the maximizing decision for a player is to choose to play game one whose expected payoff of $11 is higher than the $ 8.5 expected payoff from game two. These calculations are clearly simplified by the fact that dollars represent a standard scale on which outcomes can be judged. The concept of "utility" was introduced to help account for the lack of an objective scale in many social decisions.

Before looking more closely at utility, however, a quick note regarding the expected value calculations should be sketched out. The first concern is the relationship between the probabilities and the payoffs. The expected values of $8.5 and $11 are not actually among any of the payoff values assigned to the decision trees. The probabilities from expected value are assumed on the basis of repeated plays of the games, and the $8.5

and $11 expected values are what you are expected to win given numerous wins and losses of different amounts. In other words, the expected value does not tell us what we will win on a single play of the game. Another concern that will be dealt with when introducing prospect theory is the feasibility of the assumptions concerning transitivity and connectivity.

The more important questions for this thesis, however, involve the difference between monetary and non-monetary outcomes. It is the role of "utility" to substitute non-monetary value into a scale that makes similar calculations to EV possible. Utility, in other words, is assigned over the set of outcomes with greater utility coming from more, rather than less, preferred outcomes. In practice it is possible to elicit a utility function over outcomes from an individual by offering them a series of choices between certain and uncertain outcomes; allowing the researcher to determine where the individual becomes indifferent between the certain options and the lotteries. Using this method a weight can be established over ordinal preferences.[27] The approach, however, is not practical in most cases and researchers are left to establish utilities subjectively or using an indicator. One approach to this problem will be discussed shortly, but first we will turn to an example of utility calculations in the international relations literature.[28] In this case we are seeking to

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[27]See Anatol Rapoport, *Two-Person Game Theory.* (Ann Arbor: University of Michigan Press, 1966; New York: Dover Publications, Inc., 1999), chp 2; Duncan Luce and Howard Raiffia, *Games and Decisions.* (New York: Jon Wiley and Sons, 1957; New York: Dover Publications, Inc., 1989), chp 2; Morrow, *Game Theory*, chp 2.

[28]The example is drawn from Morrow, *Game Theory for Political Scientists*, 25-28.

maximize utility rather than monetary payoff. The situation described is a simplified version of a decision facing the Nixon administration during the Vietnam War.

After reaching a tentative agreement with the Vietnamese over the terms of an American withdrawal from Vietnam, the Nixon administration was faced with what appeared to be North Vietnamese attempts to extract further concession from the Americans. The dilemma faced by Nixon concerned whether there was in fact an attempt to extract more concession or whether there was an honest misunderstanding of the agreement by either or both parties. From the American perspective the important question was about the "state of the world" (STW): were the North Vietnamese bluffing in order to extract more concessions, or were they not bluffing and simply are unclear about the nature of the settlement? In this example, therefore, the two mutually exclusive STW are (1) Bluff and (2) No Bluff.

The next question facing the Nixon administration was to establish a set of actions to deal with the situation. The options outlined in Morrow's example are simplified to keep the analysis straight forward. First, the Americans could display their resolve to avoid further concessions through bombing. The second, alternative option, is to concede to the North Vietnamese demands. Bringing the actions and states together establishes the possible outcomes of alternative combinations. The outcomes over which we establish utilities are: (I) if the U.S. bombs and the Vietnamese are bluffing, the Vietnamese return to the table and new agreement is reached; (II) the U.S. pursues a bombing strategy and the Vietnamese are not bluffing, then talks break down and the war continues; (III) if the

Americans choose not to bomb and the Vietnamese are bluffing then they extract further concessions for the U.S.; (IV) the Vietnamese are not bluffing and the U.S. does not bomb then the Americans will again make the required concessions. In essence, therefore, outcomes (III) and (IV) represent the secure thing for the Nixon administration. The ordinal ranking of preferences is (I) preferred to (III); (IV) which are preferred to (II). This means that the U.S. would like to avoid the costs associated with making concessions, and would prefer a new agreement. Its next preferred outcome is to make the concessions necessary to secure an agreement for withdrawal. The worst outcome, from the American perspective, is renewed fighting and continued involvement in the war.

	.7	Bluff	New Agreement	(Utility 1)
Bomb				
	.3	No Bluff	War	(Utility 0)
	.7	Bluff	Concession	
No Bomb				(Utility .3)
	.3	No Bluff	Concession	

It is assumed in the example that there is a relatively strong preference for achieving a new agreement and the administration is willing to incur some risk to secure this outcome rather than making concessions. The utility for each outcome is written at the terminal end of the diagram above. The utility values are normalized between 1 and 0, with one

being most preferred and 0 the least preferred outcome. From its intelligence information the U.S. believes that the Vietnamese are most likely bluffing; they suspect there is a 70% chance of a bluff versus a 30% chance that there is an actual misunderstanding. Based on this information, it is possible to calculate the expected utility of each action.

Action 1	EU (Bomb)	$= P_1 V_1 + P_2 V_2 + \ldots\ldots + P_n V_n$ $= .7\ (1) + .3\ (0)$ $= .7$
Action 2	EU (No Bomb)	$= .7\ (.3) + .3\ (.3)$ $= 0.21 + 0.09$ $= 0.3$

Since EU (Bomb) > EU (No Bomb) Action 1 is preferred to Action 2. It is clear from this example that although we can use expected utility to calculate the maximizing choice, that choice is highly dependent upon both the utility values and the probabilities assigned to each state of the world. One way of coping with the problems of utility and probability is outlined in the work of Bruce Bueno de Mesquita, discussed below.

At this point, a cursory overview of the most prominent expected utility approach used in the conflict literature is in order. I have no intention of delving into the details of Bruce Bueno de Mesquita's expected-utility theory of war, but to pass over it without any comment would be a mistake. Bueno de Mesquita's expected utility theory of war is posited as a necessary, but not sufficient, condition for war invitation, and the theory based upon the utility to be gained or lost from changes in an opponent's policy position. For a state to initiate a war, according to the theory, a state must have a positive expected

utility. Utilities are based on the perceived policy congruence between states; states with similar policy goals to state A have utilities approaching +1, while states with perceived interests that are in conflict with the goals of State A have a utility of -1. States with some congruent and come incongruent policy interests fall somewhere between the two extremes.[29] The second factor in the expected utility calculations are the probability terms. In the case of Bueno de Mesquita's theory, the probability terms refer to the probability of successfully changing another state's policies towards one's own through military conflict. Bueno de Mesquita assumes that there is a linear relationship between probability and power, and that greater power yields a greater likelihood of success in a conflict.

Since it was not possible to elicit utilities from decision makers using the method previously discussed, it is necessary to estimate utilities using an indicator that will give consistent estimates of utility. In order to do this Bueno de Mesquita uses states' "alliance portfolios" to estimate the level of similarity between the alliance patterns of the two countries. States with identical alignments have a utility of +1, while those with no common alignments receive a utility score of -1. All other combinations fall within this range. There is also the similar question of estimating the probabilities used for the theory. Using the composite military capabilities index developed by the Correlates of War Project, Bueno de Mesquita is able to develop a probability rating of war outcome based

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[29]Bueno de Mesquita, "An Expected Utility Theory of International Conflict," 918.

on relative capabilities. To make his estimate more accurate BDM adjusts the capability scores in line with Kenneth Boulding's notion of a loss-of-strength gradient which represents the decay of power over distance. Boulding argued that states' viability depend on the proximity of the interaction. In some zones of influence, therefore, a state's viability is unconditional, but beyond that zone the state is only conditionally viable.[30] Bueno de Mesquita outlines Boulding's reasons for believing that power declines with distance from home: "At least four factors lead to a diminution of power when capabilities must be transported over large distances. Combat over a long distance (a) introduces organizational and command problems; (b) threatens military morale; (c) invites domestic dissension; and (d) debilitates soldiers and their equipment."[31]

To account for the adverse effects attributable to the problem of bringing power to bear far from home, Bueno de Mesquita makes the following adjustment to the military capability index which he uses as his indicator of power, and thus probability, of military success. Power is seen to decline steadily with distance from home. Second, the rate of decline is related to the level of capabilities possessed by a particular state; power declines more slowly for stronger states than it does for weaker states. Lastly, major advances in technology will make power more transportable than previously. Not all technological advances do this, but select advances do and thus need to be considered when adjusting

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[30]Kenneth Boulding, *Conflict and Defense: A General Theory.* (New York: Harper Row, 1963).

[31]Bueno de Mesquita, *The War Trap*, 41. For an elaboration of each point see his discussion on pages 41-44.

for decay.[32]

Bueno de Mesquita adds greater complexity to his expected utility theory of war by extending his analysis from bilateral to multilateral conflicts, but these technicalities need not concern us here. The expected utility theory of war is a theoretically rich and very interesting theory; this by no means implies, however, that it is unproblematic. Several important critiques of the assumptions, the empirical tests, and the measurements of probability and utility terms, have been lodged by both proponents and critics of the theory,[33] and these critiques have led to modifications and reformulations of theory.[34] This is not the place to examine the problems with the expected utility theory of war; however, indirectly the discussion of prospect theory in the next section of the chapter is a critique of the expected utility of war, and expected utility approaches in general.

Prospect Theory: An Overview

The original development of prospect theory sought to account for several systematic

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[32]Bueno de Mesquita, "An Expected Utility Theory of International Conflict," 925; Douglas Lemke, "Small States and War: An Expansion of Power Transition Theory," in *Parity and War: Evaluations and Extensions of the War Ledger.* (Ann Arbor: University of Michigan Press, 1996), 81.

[33]Michael Nicholson, "The Conceptual Bases of the War Trap," *Journal of Conflict Resolution.* vol. 31, (June 1987); Harrison Wagner, "War and Expected Utility Theory," *World Politics.* vol. 36. (1983); Frank Zagare, "Review of the War Trap," *The American Political Science Review.* vol. 76, (1982).

[34]Bueno de Mesquita, "The War Trap Revisited,"; James Morrow, "A Continuous-Outcome Expected Utility Theory of War," *Journal of Conflict Resolution.* vol. 29. (September, 1985); Bruce Bueno de Mesquita and David Lalman, "Reason and War," *The American Political Science Review.* vol. 80, (1986); Bruce Bueno de Mesquita, "The Contribution of Expected-Utility Theory to the Study of International Conflict." in *The Handbook of War Studies.* ed. Manus Midlasky, (Boston: Allen Unwin, 1989).

deviations from traditional microeconomic theories of rational choice. Through a series of experimental studies, Daniel Kahneman and Amos Tversky isolated deviations from rational theories of choice, in particular expected-utility theory, and attempted to account for the inconsistencies via an alternative, descriptive, theory of decision-making. Their efforts led to the development of prospect theory which challenges the required assumptions of both connectivity and transitivity that are essential to theories of rational choice. Experimental analysis has demonstrated that preferences are generally not consistently rank-ordered (connectivity) across choice situations, nor are they fully transitive as required by rational decision theories. Transitivity implies that if choice A is preferred to B, and choice B is preferred to C, then choice A will necessarily have to be preferred to choice C. Experimental psychologists, including Kahneman and Tversky, have demonstrated under numerous conditions that preferences are not transitive. This suggests that the inherent complexities of many choice situations make it essentially impossible for decision makers to act in accordance with the normative prescriptions of rational choice theories. When prospect theory was introduced in 1979, Kahneman and Tversky suggested that it is psychological principles that determine both how choice options are evaluated and how the decision situation itself is perceived; these are the psychological biases that frequently lead to transgressions of the rules of connectivity and transitivity.[35] The goal of prospect theory in the eyes of its proponents is to elucidate the

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[35]Kahneman, Daniel and Amos Tversky, "Prospect Theory: An Analysis of Decision Under Risk," *Econometrica*, 47 (March 1979): 263-291

mechanisms that affect how the situation is perceived and how choices are evaluated, thereby offering a more elaborate and accurate descriptive theory of decision making than that provided by expected-utility.

One of the fundamental distinctions between prospect theory and expected utility models relates to the position from which people evaluate their options: prospect theory holds that individuals are sensitive to changes in current assets rather than to net asset levels as proposed by rational approaches.[36] The implications of this distinction are important. Because prospect theory suggests that decision-makers are particularly concerned with current assets, it follows that choices are likely to be reference dependent. Accordingly, prospect theory suggests that changes from a reference point - either gains or losses - will have a significant impact on the choice behaviour of an individual.[37] If this is the case, then it is possible for people to prefer one asset over another solely on the grounds that the asset is part of the individuals endowment. Had the second asset - the one not preferred originally - been a part of the individual's possessions, then it would likely have been preferred. Kahneman and Tversky have discussed the overvaluation of current assets referring to it as the endowment effect. The endowment effect suggests that

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[36]Jack Levy, "Prospect Theory and the Cognitive-Rational Debate," in *Decision Making on Peace and War: The Cognitive-Rational Debate,* eds. N. Geva and A. Mintz, (Boulder: Lynne Rienner Publishers 1997): 34-35.

[37]Amos Tversky and Daniel Kahneman, "The Framing of Decisions and the Psychology of Choice" in *Rational Choice*, ed. Jon Elster (Oxford: Basil Blackwell Ltd., 1986):125-126. First Published in *Science*, 211 (1981): 453-458.

individuals will be unwilling to sell or relinquish items for a price that is much higher than what they would be willing to pay to acquire the item in the first place.[38] For example, a friend of mine owned an old worn-out wallet which she seemed reluctant to part with. One day we found a similar wallet in a department store. I suggested that since the price was reasonable she should buy the new wallet, but she refused on the grounds that she was attached to her own and preferred it to the new wallet. In effect, her selling price was now much higher than the store's - a common feature of the endowment effect. Of course, the fact that the wallet acquired a significance beyond its original value should not occur under conditions of "rational" decision making.

The endowment effect and the status quo bias - the latter will be discussed below - are related to a more general effect stemming from the reference dependent nature of prospect theory called loss aversion. Although the idea of loss aversion is formalized in prospect theory, the notion itself is intuitively appealing and can be found in many casual discussions of decision making. The essence of loss aversion is simply that losses loom larger than corresponding gains: a loss of twenty dollars, for example, upsets us more than a gain of twenty dollars makes us happy.[39] In a review of prospect theory, Levy points out that Kahneman and Tversky have consistently demonstrated that people are inclined to

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[38]Amos Tversky and Daniel Kahneman, "Loss Aversion in Riskless Choice: A Reference Dependent Model," *Quarterly Journal of Economics*, 41 (1991):1039-1040.; Daniel Kahneman, Jack L. Knetsch and Richard H. Thaler, "The Endowment Effect, Loss Aversion, and Status Quo Bias," *Journal of Economic Perspectives*, 5 (Winter 1991): 193-206.

[39]Robert Jervis, "The Political Implications of Loss Aversion," *Political Psychology*, 13 (1992): 23.; George Quattrone and Amos Tversky, "Contrasting Rational and Psychological Analyses of Political Choice", *American Political Science Review, 82(1988)*: 719-736.

avoid making bets on even outcomes where there is the possibility of winning or losing equivalent amounts, indicating that a potential loss is a greater motivator than an equivalent gain.[40] Similarly, when given an option between two lotteries, one involving a 50 percent chance of winning $1000 and the other a guarantee of a predetermined "sure" amount of $500 most subjects chose the sure amount. In fact, subjects in experimental settings were likely to reach indifference between the two lotteries at the $300-400 range.[41] With a "certainty equivalent" equal to $500, expected-utility suggests that approximately even numbers of participants should choose each lottery. The experimental evidence, however, has shown otherwise. Based on these and other findings, Kahneman and Tversky proposed that the standard utility function based on net asset levels be replaced with an S-shaped value function that determines value as deviations - gains or losses - from a reference point or an aspiration level.

The Value Function

The S-shaped value function suggested by Kahneman and Tversky captures many, but not all, of the important insights that prospect theory provides into decision-making. The function itself has several important properties: it combines a concave segment in the

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[40]Jack Levy, "Loss Aversion, Framing, and Bargaining: The Implications of Prospect Theory for International Conflict" in *Conflict in World Politics: Advances in the Study of Crisis, War and Peace*, (London: MacMillan Press Ltd., 1998): 99.

[41]Ibid., 98; Kahneman and Tversky "Prospect Theory: An Analysis of Decision Under Risk," 277.

domain of gains with a convex segment in the domain of losses; and, of equal importance, it suggests that the shapes of the curves are not symmetrical in both domains. Rather, the convex curve in the domain of losses (below the axis) is both steeper and flatter than the concave curvature in the domain of gains (above the axis). The origin point of the axes represents the reference point, either an aspiration level or the status quo, from which decisions are taken. Each of these features represents a deviation from the standard assumptions of expected-utility theory, while capturing seemingly common judgement and choice biases. The discussion above relates to the value function in several important ways. For example, as previously noted, the value function captures the fact that individuals tend to be indifferent between a sure bet of approximately $350 and a 50-50 chance at $1000 or nothing, suggesting that for an average decision-maker the value of 350 dollars is equal to half the value of $1000.[42] The explanation for this phenomenon lies in the concave curvature of the value function in the domain of gains: the preference for a smaller sure bet over the chance at a larger sum occurs because the certain option is evaluated in the region of the curve that is the steepest, the region where individual dollar units produce the greatest increments of value. The chance option, on the other hand, is evaluated in the flatter region of the curve where an individual unit gain produces less value per unit.[43] Also reflected in this curve, and related to the previous point, is the

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[42]Jack Levy, "Loss Aversion, Framing, and Bargaining," p98

[43]Daniel Kahneman and Amos Tversky, "Choices, Values, and Frames" *American Psychologist.* vol. 39, (April, 1984): 346.

common notion of decreasing marginal utility. For example, an individual receives greater utility from a gain of $0 to 100, than from a gain of $1000 to $1100. This notion of decreasing sensitivity, though asymmetric, is found in both the domain of gains and the domain of losses.

A good deal of the richness of prospect theory results from the elaboration of behaviour within the domain of losses. Although the behaviours outlined above concur with the hypothesized concave value function in the domain of gains and represent transgressions of the theory of expected value, they can and are frequently incorporated into theories of expected-utility. Risk-averse utility functions are often assumed in rational economic analysis of market behaviour; consequently, prospect theory - in the domain of gains - is not highly distinct from utility theory which can also incorporate the idea of decreasing marginal utility. The main distinction in prospect theory is twofold: first, the value function suggests that decision-makers risk propensities are not constant as they are in utility theory, rather, their aversion or attraction to risky behaviour will be related to their current domain; second, the hypothesized value function in the domain of losses produces similar, but reversed effects in the domain of losses as in the domain of gains, but it also suggests several distinct characteristics that add descriptive accuracy to prospect theory.

In the domain of losses diminishing sensitivity occurs similarly to in the domain of gains, but at different rates; again, however, the closer to the origin the more sensitive an individual is to changes in current assets. Kahneman and Tversky suggest that offered a

choice between a sure loss of 400 dollars and an even chance at a $1000 dollar loss or nothing, participants in their studies frequently chose to gamble, even though the expected value - a $500 loss in this case - of the bet was greater than the certain loss of $400.[44] This effect, it should be noted, is the result of being in the domain of losses and is the opposite effect of that found in the domain of gains outlined above. Apart from the concavity and convexity of the value functions in their respective domains, there is a strong asymmetry in responses towards choices involving the possibility of gains or losses. Numerous studies have shown that individuals are generally unwilling to make an even bet on the possibility of winning or losing an equivalent amount because, as proponents of prospect theory often note, losses tend to loom larger than corresponding gains.[45] In fact, people are often unwilling to accept an even bet involving gains or losses unless the payoff ratio approximates 2:1. In other words, in order to accept a 50-50 chance at losing $100, the bet will have to be combined with an equal chance at a gain of $200.[46] The implications of loss aversion are captured nicely by Jervis: "More than the hope of gains, the specter of losses activates, energizes, and drives actors, producing great (and often misguided) efforts that risk - and frequently lead to - greater losses."[47]

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[44]Ibid., 347

[45]Quattrone and Tversky, "Contrasting Rational and Psychological Analyses," 724; Robert Jervis, "Political Implications of Loss Aversion," *Political Psychology,* v13, 1992, 23

[46]Kahneman and Tversky, "The Psychology of Preferences,"162

[47]Jervis, "Political Implications of Loss Aversion," 23

The Probability Weighting Function

Although the value function is an important component of prospect theory it is only one part of the explanation of decision making. A second and equally important aspect of the theory is the probability weighting function, which suggests that decision makers have difficulty when attempting to make judgements relating to probabilities. Rather than accept the linear interpretation of objective probabilities assumed by expected utility theory, Kahneman and Tversky suggest that a decision weight is attached to probabilities thereby transforming them from a strictly linear function. The decision weight's purpose is to represent common psychological effects of probability judgements, rather than to suggest an actual measure of probability.[48] The weighting function advanced in prospect theory implies that deviations from expected-utility will occur in actual decision behaviour. Most importantly, the decision weight suggests that small probabilities are overweighted and large probabilities are underweighted; this suggests that people have difficulty interpreting probabilities at extreme ranges. McDermott notes that "sometimes people treat highly likely but uncertain events as certain; on other occasions, people may treat highly unlikely events as impossible....[m]ore specifically, events that are judged to be either certain or impossible receive much heavier *psychological* weights than other events."(emphasis in original)[49] In other words, when making probability estimates

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[48]Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision under Risk," *Econometrica* v47. 1979: 275; Witol "Expected-Utility Theory, Prospect Theory and War," 46

[49]Rose McDermott, *Risk-Taking in International Politics: Prospect Theory in American Foreign Policy*, (Ann Arbor: The University of Michigan Press, 1998): 30.

individuals tend to feel that being able to alter probabilities at the extremes - either low or high - is more important than equal changes in the middle probability range. The possibility of reducing the probability of an event from .10 to none, is psychologically more meaningful than moving from .50 to .40 even through the actual probability reduction is the same.

This decision paradox, which is labeled the certainty effect, helps to explain the attraction of long-shot gambles and the attractiveness of insurance policies that protect people from catastrophes.[50] In both cases, an objective assessment of the probability of either benefitting from or being the victim of such rare events suggests that buying catastrophe insurance or a lottery ticket holds less value than the expected-value of the purchase. In other words, you are paying more for insurance or a lottery ticket than a utility calculation suggests they are "worth" because the chance of either event - a catastrophe or winning - are highly unlikely. When seen through the lens of the probability weighting function, however, new light is shed on these choices. Since these choices are evaluated in the region of low probability, where the probability of the event is near zero, the decision weight predicts that the subjective likelihood of such events will be overemphasized. Consequently, people tend to believe that their chance of winning a lottery or being struck by catastrophe are far higher than they actually are.

The underlying assumption of the probability weighting function is that people are

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[50]Robert Abelson, and Ariel Levi, "Decision Making and Decision Theory," in *Handbook of Social Psychology, 3rd ed.*, Gardner Lindzey and Elliot Aronson eds. (New York: Random House, 1985):246.

limited in their ability to assess probabilities in an objective manner. Kahneman and Tversky have proposed that the weighting function is regressive with respect to probability, meaning that when people evaluate probabilities there is little distinction made between a probability of .35 and .60 in spite of the objective implications of such a distinction for particular decisions. Moreover, a decision weight of .5 does not correspond with a probability of .5; rather, evidence suggests that a probability of approximately .65 is needed to achieve a decision weight of .5.[51] Relatedly, in the middle range of the probability distribution "an increase of .05 in the probability of winning increases the value of the prospect by less than 5% of the value of the prize."[52] A final study involving a group of undergraduate students exemplifies the psychological aspects of the certainty effect: in a modified, hypothetical, game of Russian Roulette - where there are a number of bullets in the chamber - the players were offered the possibility of buying the removal of one bullet. It turned out that individuals were willing to pay significantly more money to remove the final bullet from the gun than they were willing to pay to have the third or fourth bullet removed.[53] As implied by the certainty effect, "[a] change from impossibility to possibility or from possibility to certainty has a bigger impact than a

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[51]Kahneman and Tversky, "Prospect Theory: An Analysis of Decision Under Risk," 282: Daniel Kahneman, and Amos Tversky, "Advances in Prospect Theory: Cumulative Representation of Uncertainty," *Journal of Risk and Uncertainty,*v5 (1992):303: Ableson and Levi, "Decision Making and Decision Theory," 247.

[52]Kahneman and Tversky, "Choices, Values, and Frames," 345.

[53]Discussed in McDermott, "Risk-Taking in International Politics," 30; Kahneman and Tversky, "Contrasting Rational and Psychological Analyses of Political Choice," 730.

comparable change in the middle of the scale."[54] Clearly this is the case in the modified Russian Roulette game.

Both the value function and the probability weighting function predict deviations from rational decision making, but it is important to note that the various effects, resulting from the two functions, are not always independent of one another. In some cases the effects reinforce each other, while at other times there may be a strong countervailing current. As noted earlier, the probability weighting function posits that a decision weight of .5 is approximately equal to a probability of .65, implying that individuals are likely to see choices with an objective probability of less than .65 as being rash.[55] Since moderate to high probabilities are underweighted relative to sure gambles, the effect is to reinforce the aversion to risk found in the domain of gains. Similarly, the underweighting of mid and high range probabilities in the domain of loss contributes to risk-seeking by "attenuating the aversiveness of negative gambles."[56]

On the other hand, the possibility of countervailing effects also exist. There is evidence of a bias towards risk-seeking in the positive domain, despite the fact that the convexity of the value function in the domain of gains implies risk-averse choices. Kahneman and Tversky suggest that the overweighting of small probabilities will give rise to a small amount of risk-seeking in the domain of gains. They note that many people

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[54]Kahneman and Tversky, "Choices, Values, and Frames," 344.

[55]Aronson and Levi, "Decision Making and Decision Theory," 247.

[56]Kahneman and Tversky, "Choices, Values, and Frames," 345; Aronson and Levi, "Decision Making and Decision Theory," 248.

would accept a gamble of one chance in a thousand to win $3000 over a sure gain of $3.[57] In the domain of losses, the overweighting of small probabilities leads to risk-aversion through the "amplification of the aversiveness of a small chance of a severe loss."[58] The tendency for individuals to insure themselves against the possibility of severe loss is representative of risk-aversion in the domain of losses. The interaction effect that occurs because of the weighting function either amplifying or countervailing the value function makes it difficult to distinguish the independent effect of each function on a particular choice. Moreover, it is generally assumed that the value function tends to be the most dominant predictor or risk-propensity, but it remains unclear if there are situations where the countervailing tendencies of the weighting function may dominate the value function. In any case, that is not a concern for this paper.

Elaborating the Effects: Framing, Status Quo Bias, and Endowments

Several other aspects of prospect theory deserve to be singled out, briefly, for special attention: the framing of choices; the status quo bias; and the endowment effect. Each of these, and their relation to the weighting and value functions will be discussed in turn. Framing effects are an integral part of prospect theory's explanation of decision behaviour; since deviations from a reference point (gains or losses) are central to any explanation

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[57]Kahneman and Tversky, "Contrasting Rational and Psychological Analyses of Political Choice," 730.

[58]Kahneman and Tversky, "Choices, Values, and Frames," 345.

incorporating prospect theory, how people frame or define their situation in relation to the reference point is crucial. Context dependent choice, such as framing effects, are avoided by rational approaches to decision making which leads them to deny that such effects should occur. Behavioural decision theory, on the other hand, points to the importance of framing for the consequences of particular choices.[59] The most common example of framing effects, quoted in virtually all accounts of prospect theory, is offered by Amos Tversky and Daniel Kahneman. They present two scenarios offering identical outcomes, yet the preferences of the subjects varied depending on how the problem was presented by the researchers:

> Imagine that the U.S. is preparing for the outbreak of an unusual Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimates of the consequences of the program are as follows:
>
> If program A is adopted, 200 people will be saved. [72%]
>
> If program B is adopted, there is a 1/3 probability that 600 people will be saved, and a 2/3 probability that no people will be saved. [28%]

It is clear that framing this question, in which both programs have an equal expected value, in terms of the numbers of lives that will be saved (domain of gains) influences the decisions of a substantial number of respondents. A clear majority chose in a risk-averse

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[59]Janice Gross Stein, "International Cooperation and Loss Avoidance: Framing the Problem," in Janice Gross Stein and Louis Pauly ed. *Choosing to Cooperate: How States Avoid Loss,* (Baltimore: Johns Hopkins University Press, 1993): 13; The most common example of framing effects, quoted in virtually all accounts of prospect theory, is offered by Amos Tversky and Daniel Kahneman, "The Framing of Decisions and the Psychology of Choice," *Science*, v211 (1981): 453.

manner as the theory would predict. In the second phase of this decision problem the same question is framed differently, and the outcome is a reversal of preferences. A preference reversal of this type is anomalous from the perspective of rational choice.

> If program C is adopted 400 people will die. [22%]
>
> If program D is adopted there is a 1/3 probability that nobody will die, and a 2/3 probability that 600 will die. [78%]

The preference reversal in this case is unmistakable. Although the number of people expected to live and die in both cases is equivalent, the second case (framed as a loss) induced a clear inclination towards risk-seeking. The only distinction between the two choice sets is their frames - as gains in the first case, and as a loss in the second.

A personal example offered by Janice Gross Stein provides an interesting, everyday, example of the framing phenomena:

> If I had expected to write ten pages of this chapter today but wrote only five, what matters is the 'loss' of the five pages rather than the 'gain' of five pages in the total length of the manuscript to be completed. My reference point was my expectation. Rather than consider how much I had accomplished, or my net gain, I estimated loss from the reference point I had chosen. I did not consider my total assets but rather the deviation from my reference point.[60]

It is clear from these brief examples that the location of the reference point, whether it is the status quo, or a level of expectation (or aspiration), is determined prior to the evaluation of one's position relative to that point. Consequently, it is essential, when using

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[60]Stein, "International Cooperation and Loss Avoidance," 14.

prospect theory as an analytical tool, to firmly establish the reference points of all the relevant actors. This necessity makes prospect theory a highly situationalist theory. To quote McDermott, "...risk-taking behaviour [in prospect theory] is based not on the individual predispositions of a particular leader, but evolves out of a cognitive response to a situation that constrains the way options are interpreted and choice is made."[61] Not all framing effects are as dramatic as the example given by Stein, the strength of the effect, rather, is a function of the 'transparency' of the choice. When there are clear similarities that exist between the choice problems an expected-utility decision rule will be more prevalent than in situations where greater amounts of ambiguity have entered the calculus.[62]

Framing effects can be broken-down into a series of editing operations that are commonly used by decision makers for the purpose of simplifying and understanding the choice problem at hand.[63] Although there are a series of operations proposed for editing choice problems, only two will be discussed here since the others are less germane to historical applications of prospect theory than to laboratory experiments where the controlled environment allows researchers to evaluate coding procedures. Acceptance, the first procedure, refers to the tendency of decision makers to adopt a view of a choice

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[61]McDermott, "Risk-Taking in International Politics," 4.

[62]Levy, "Loss Aversion Framing and Bargaining," 102.

[63]The editing operations are discussed in various articles including, Kahneman and Tversky, "Prospect Theory: An Analysis of Decision Under Risk,"; Levy, "An Introduction to Prospect Theory." The operations include coding, combination, cancellation, simplification, segregation, and acceptance. For a full discussion of these operations see the aforementioned articles.

problem from the perspective which it is originally received.[64] In other words, people are highly unlikely to reformulate the frame of a problem once it is presented. Consider the example offered above: when each respective frame is presented to the respondents very few, if any, questioned the presentation of the options themselves. Clearly, had they questioned the presentation of the situation - as a loss - themselves they could have seen the options from the perspective of gains as offered in the second phase of the study. A self-imposed framing reversal should, in theory, have an identical impact on preferences as the researcher imposed frame. McDermott suggests that acceptance is prevalent in the way we discuss everyday issues; for example, it is rare to hear anyone speak of the employment figures (rather than the unemployment figures), just as it would be strange to discuss the suicide rate in a particular community as the number of people who chose to continue their lives. In unorthodox situations there is a significant decrease in the importance of acceptance since information is being interpreted for the first time, which highlights the importance of the initial presentation of the situation.[65]

The second framing operation, segregation, refers to failure of decision makers to account for aspects of the decision problem that are not immediately apparent, but that if taken into consideration would undoubtedly influence the evaluation of options. Decision makers are seen to focus on the evidence which is clearly at hand, thereby neglecting pertinent information that may at first glance have seemed unimportant. The epidemic

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[64]McDermott, "Risk-Taking in International Politics," 23.

[65]Ibid., 22.

example outlined earlier provides an instance of segregation. While the subjects were provided with the relative rates of survival and death given different treatment options and asked to choose and administer an option based on this information, a rather important question was neglected: what is the probability that the epidemic will actually arrive in the first place.[66] This information, had it been considered would certainly impact on the final option chosen. The effect, of course, would depend heavily on the answer to the specific probability estimate. Having surveyed the implications of framing effects, the related notion of the status quo bias needs specification.

At the outset of the chapter, the importance of the reference point in prospect theory was emphasized. The reference point was discussed in relation to the hypothesized value function -which is concave in the domain of gains and convex in the domain of losses - , its importance in this regard was left somewhat implicit and unspecified. In the graphic depiction of the value function, the reference point rests at the convergence of the two domains and occupies the origin of the axes, meaning that it is the point around which framing occurs. The reference point, as I mentioned earlier, can assume a variety of distinct positions including the status quo, an expectation point, or an aspiration level. Given the choice problem with which one is faced, the position of the reference point will play a central role in determining a response. In other words, faced with any decision problem, my choice would depend significantly on where I located the reference point.

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[66]This example is drawn from McDermott, "Risk-Taking in International Politics," 23.

In the absence of a theory of either framing or of the reference point, the question as to the location of the reference level remains open. Despite being unable to predict how the reference point will be framed, a number of studies cited in most of the recent literature on prospect theory[67] suggests that there is a relatively strong tendency to be biased towards the status quo, a reference point which is obviously of particular salience in many decision contexts. Accordingly, in many cases, losses or gains will be framed relative to the current level of assets (status quo), and, moreover, individuals are unlikely to leave the status quo because, as we saw earlier, losses tend to loom larger than gains.[68] As a result of loss aversion, when people make choices that are framed around the status quo there is a strong tendency for choices to reflect a bias towards the status quo because movement away from that point is generally seen as a loss, while any clear benefits or gains that can at times accompany a movement from the status quo are generally underweighted. Underweighting of this type is a function of the relative importance of losses over gains; the discussion earlier in the chapter noted that in choice situations involving gains and losses it was frequently the case that even gambles required a payout

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[67]For example, in Levy, "Prospect Theory and the Rational-Cognitive Debate," 35, the author cites a number of experimental studies in psychology and economics that have reproduced similar results. Those cited include: William Samuelson and Richard Zeckhauser, "Status Quo Bias in Decision Making," *Journal of Risk and Uncertainty,* (1988): 7-59; Jack Knetsch and J.A Sinden, "Willingness to Pay and Compensation Demanded: Experimental Evidence of an Unexpected Disparity in Measures of Value," *Quarterly Journal of Economics, v99* (August 1984): 507-521; Raymond Hartman, Michael J. Doane, and Chi-Keung Woo, "Consumer Rationality and the Status Quo," *Quarterly Journal of Economics,* v106 (1991):141-162.

[68]Daniel Kahneman, Jack L. Knetsch, and Richard Thaler, "The Endowment Effect, Loss Aversion, and Status Quo Bias," *Journal of Economic Perspectives,* v5 (Winter, 1991):197.

ratio of approximately 1:2 to induce people to place a bet. A note of caution concerning the status quo bias was voiced by Levy, however:

> Because people sometimes frame around expectation or aspiration levels rather than the status quo, and because the status quo may be difficult to define in many dynamic situations, the concept of the status quo bias is misspecified. The bias is really a *reference point bias*, a greater tendency to move toward the reference point than expected-utility theory predicts. Theoretically, the hypothesized status quo is generally stabilizing in the sense that it reinforces the status quo, but the hypothesized reference point bias may be destabilizing whenever the reference point deviates from the status quo.[69]

In the next chapter, when we turn to applications of prospect theory in international politics, there will be an opportunity to elaborate Levy's comments in light of several examples. For now, however, a brief look at the endowment effect, its relation to loss aversion and the status quo bias, will close out the chapter.

The endowment effect is related to both the position of the reference point and to the idea of loss aversion discussed earlier in the chapter. It will be recalled that loss aversion is represented in the value function by the steepness of the slopes in each respective domain: the steepness in the domain of loss is sharper than in the domain of gains. Richard Thaler describes the endowment effect as the disinclination that people feel to part with objects from their current endowment (assets).[70] The effect is prevalent in economic transactions: when people are unwilling to relinquish an item because its loss is

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[69]Levy, "Prospect Theory and the Cognitive Rational Debate," 37.

[70]Richard Thaler, "Toward a Positive Theory of Consumer Choice," *Journal of Economic Behaviour and Organizations*, v1 (1980): 39-60.

more painful that the corresponding happiness of obtaining the item, the buying price will stagnate well below the selling price. For example, a wine connoisseur purchased a crate of Bordeaux wines at a price of $10 dollars per bottle a number of years ago. Since then, the value of the wines has increased dramatically such that, at auction, each bottle may sell for approximately $200. The endowment effect proposes that, apart from occasionally drinking a bottle of the wine, our connoisseur would be unwilling to either sell his wine, or buy similar wine at the auction price.[71] This phenomenon occurs because normalization to gains transpires quickly. The change in reference points from $10 to near $200 means that gains and losses are now judged from the new reference point of $200. Moreover, since the $200 dollar bottles are now a current part of the connoisseur's endowment (current assets) they will be over-valued relative to their market price. Consequently, from the connoisseur's new reference point a sale for anything less than $200 would be considered a loss, and more important, selling at $200 would not likely occur, in any case, because of the higher value placed on current assets.

Another side of the endowment effect proves to be interesting when considering prospect theory in international politics; how people adjust to gains, versus their reaction to losses can add an interesting dynamic to interdependent actions. The term "renormalization" was coined by Jervis to describe how much time it takes for people to adjust to a new status quo. He points out that in order to explain why people are willing

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[71]Kahneman, Knetsch, and Thaler, "The Endowment Effect, Loss Aversion, and Status Quo Bias," 194. In their original example, the wine connoisseur was a friend and fellow economist of the article's authors.

to run risks for a small chance at recouping the status quo after a loss, rather than simply adjusting to the new status quo - and becoming risk averse from the new reference point - an assumption is necessary: people generally normalize to gains more quickly than they do to losses.[72] This effect is largely due to the endowment effect, which, when considering gains, is a near instant effect. The instantaneousness of the normalization to gains is apparently not related to a special value or attractiveness of that comes from incorporating a new possession into one's endowment; rather, the effect stems primarily from the pain of having to give it up.[73]

Going in the opposite direction, there is no clear answer to how long before renomalization occurs when dealing with losses. Under dynamic conditions where a situation continues to change, the lack of transparency in the situation makes it difficult for those involved to determine the status quo, and potentially even more troublesome is the question of how a series of successive losses will be framed. After experiencing a series of losses, it is unclear if people will maintain their original frame of reference (the cumulative frame), or are they more likely to adopt a new reference point based on the reduced level of endowments resulting from the loss.[74] With each successive decision in a series a new reference point could be normalized, or it could remain at the original reference point; the result, in the case of reference point translation is relative risk aversion at each step, but in

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[72]Jervis, "The Political Implications of Loss Aversion," 35.

[73]Kahneman, Knetsch, and Thaler, "The Endowment Effect, Loss Aversion, and Status Quo Bias," 197.

[74]Levy, "Loss Aversion, Framing and Bargaining" 102.

the case of a cumulative frame individuals will be in the domain of losses and will feel compelled to take risks to recover the loss(es). The relevance of this type of scenario in international crises is relatively clear and will be discussed in greater detail in the next chapter.

This chapter has surveyed the material on prospect theory in some depth in order to convey the primary differences between prospect theory's descriptive, psychological, approach and utility theory's rational instrumental interpretation to decision making. In applying prospect theory to analysis in the international sphere much of its fine grained explanation is lost in the "messiness" of actual international decision processes because the controls available in the laboratory are not found in the real world of international politics. Moreover, the complexities of the theory itself make it difficult to integrate the theory as a whole into already existing frameworks of international relations. Since this type of integration and synthesis is the purpose of this thesis, a simplified version of prospect theory outlined in the next chapter - which emphasizes the s-shaped value function rather than the probability weighting function - will be used to facilitate the integration.

It should be noted, however, that many of the subtleties of prospect theory will be lost in the process of developing a synthetic approach to international conflict. Judging the modified theory, therefore, will become an entirely empirical question, since much of the laboratory support for the theory will be invalidated by the omissions and modifications. The benefit of adopting this approach, however, is that the modified version of the theory can be tied into an explanatory approach that includes structural as

well as decision making factors. Moreover, the case material needed to judge the intricacies of a "fine grained" theory such as prospect theory are not readily available. Adopting a slightly more "coarse" approach, then, offers a wider variety of case material that can be used for judging the theory. The next chapter is devoted to developing an integrated theory of international conflict.

Chapter Two
An Agency-Structure Theory of International Conflict

The purpose of this chapter is to synthesize the material outlined in the first and second chapters into a theory about a process that leads to international conflict. The goal is not to develop a theory that explains all types of international conflict; rather, it seeks to focus on the conditions for conflict between a pair of states in a regional sub-system. Colonial wars, wars of expansion, and civil wars are all excluded from the analysis, not because they are less significant, but simply because there are likely alternative sets of conditions and causes that need to be explored. In the model developed in this chapter, the problem of structure and agency in the explanation of international conflict has remained central, as has the concern for process based theory. Lave and March argue that the first rule of model (theory) construction is to "think 'process.' A good model is almost always a statement about a process, and many bad models fail because they have no sense of process."[1] The process outlined in this chapter that is hypothesized to lead to conflict is built on modified versions of existing theoretical arguments found in the international relations conflict literature. These arguments are then tied together in an effort to avoid reducing the explanation to either a purely structural or individual level. The theory is designed to avoid, as much as possible, the reductionism and reification found in most

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[1]Charles Lave and James March, *An Introduction to Models in the Social Sciences.* (New York: Harper Row, 1975):40.

theories of international conflict, and at the same time to maintain a sense of process.[2]

The general argument presented suggests that the onset of a critical point - which is a function of a perceived shift in relative capabilities (military/economic technology, resources, and geography) within a sub-system - opens the door for a reevaluation and reconstruction of the state's identity and role. If the state passing through the critical point has an existing dispute with another state in the sub-system and is dissatisfied with the status of the issue, the onset of the critical point will be characterized by the confluence of the state's identity with the disputed issue. The issue will be infused with a symbolism that transcends both the state's identity and any "real" value of the issue at stake.[3] It is argued, therefore, that the process of identity reconstruction is triggered by the perceived changes of material capabilities. Identity construction, it is hypothesized, entails the formulation of interests and aspirations that are linked to the unresolved issue around which the "rivalry" was formed.

Based on the construction of identities and aspirations over the particular issue at stake, it is possible to turn to prospect theory which offers a mechanism for linking the social structure with the decision rules guiding the process of choice between options in the feasible set. In particular, the symbolic nature of the issue fixes its reference point above the status quo such that decision makers will take on a risk-seeking orientation in

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[2]A case for the importance of process is also made by Bruce Russett, "Processes of Dyadic Choice for War and Peace," *World Politics*. vol. 47 (January, 1995).

[3]John Vasquez, *The War Puzzle*. (Cambridge: Cambridge University Press, 1993).

their decisions because they are in the domain of loss. They will, accordingly, take larger than normal risks in order to return the state to the reference point, and the convergence of these structure and agency factors are hypothesized to increase the likelihood of the outbreak of war. The details of this process will be elaborated throughout this chapter with the intention of laying out mechanisms guiding the process of interaction hypothesized to lead to conflict. The next chapter will then seek to explore the fit between the expectations from the theory and the case study material.[4] In moving from the philosophical or ontological foundations of most discussions of structure and agency in international relations to an empirical theory, it is impossible to adhere completely to the tenets of the epistemological and ontological discussions of constructivists and agency-structure theorists. Having said that, however, it appears that the merger of structural and decision components into a single framework will be fruitful, both as a means for understanding international conflict, and, more importantly, as a way to understand disparate strands of theorizing in the conflict literature.

At the heart of most agency-structure models are a series of mechanisms that act across agents and structures and that are causal in nature. Explicating the iterative relations between structure and choice, choice and foreign policy action, and foreign policy action and structure, over time is "a profitable but surprisingly underutilized way of

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[4]See, Stephen Van Evera, *A Guide to Methods for Students of Political Science.* (Ithaca: Cornell University Press, 1997); and Gary King, Robert Keohane and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research.* (Princeton: Princeton University Press, 1994) chp 1-2.

exploring linkages among levels of analysis" according to Philip Tetlock.[5] The causal approach adopted will be discussed fully below; for now it should simply be stated that these mechanisms need not be either necessary or sufficient in the traditional sense. Cause, rather, is taken in a more probabilistic sense where each additional factor increases the probability that war will occur.

The benefit of adopting a causal approach is outlined nicely by David Dessler who argues that a correlational approach lacks the integrative power of having a causal mechanism at the core of the theory. The act of specifying the process mechanisms allows researchers to explain seemingly unrelated correlations in terms of a unified set of processes and structures.[6] Hopefully this benefit will become clear throughout the chapter. Generally speaking, the chapter will proceed following the three layers outlined in the ontological discussions of agency and structure: intersubjective (ideational) structures; choices or decisions; and, material structures. The chapter, more specifically, is broken down as follows: first, the idea of cause will be outlined; the importance of identities and

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[5]Philip E. Tetlock, "Methodological Themes and Variations," in *Behavior, Society, and Nuclear War VI.* eds., Philip Tetlock, Jo L. Husbands, Robert Jervis, Paul Stern, and Charles Tilly, (New York: Oxford University Press, 1989): 369.

[6]David Dessler, "Beyond Correlations: Towards a Causal Theory of War," *International Studies Quarterly,* vol. 35 (1991): 342-44. Dessler argues that discovering correlations, which represent relationships of co-variation between two variables, is only part of the goal of social research. Advocating a "scientific realist" approach he argues that what is essential is to uncover causal mechanisms. Causal mechanisms explain *why* there is a correlation between two variables rather than simply proclaiming the correlation's existence: hence the frequent admonition that "correlation is not causation." Dessler favors this approach because he believes that causal mechanisms are essential if disparate strands of correlational research are to be integrated. Mechanisms, therefore, are seen to be invaluable for hanging pieces of the conflict theory puzzle together.

interests is discussed; the relationship between identity and interests and the concept of rivalry is then outlined; the third part of the chapter a modified version of prospect theory will be presented, operationalized, and linked to the idea of identity so that it can serve as a bridge to the choice component of the theory; the final part of the chapter deals with the level of material structure by presenting a modified version of Charles Doran's power cycle theory which links to the level of agency through restrictions on the feasible set, and to the layer of ideational structure by opening the door for role/identity reconstruction.

Mechanisms and Causes

The ideas of mechanism and cause are intimately related to the structure-agency problem outlined in the first chapter. Although the use of causal language varies across structure-agency and constructivist accounts, most cases retain a causal basis for theorizing.[7] Arguing that agents and structures are mutually constituted is not sufficient to exempt an account from causal foundations. Even if it is true that a structurationist account allows a researcher to "explain some of the key properties of each as effects of the other," at some point the choice of agents shaped, and was shaped by, structure.[8] According to theorists of agency and structure, to move beyond the abstract ontological postulating into the realm

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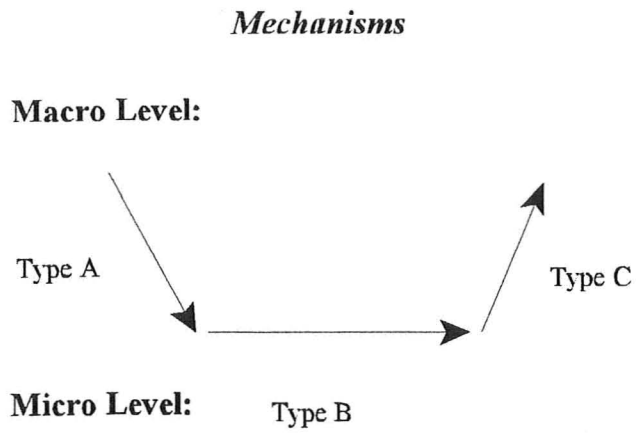
[7]Jeffrey T. Checkel, "The Constructivist Turn in International Relations Theory," *World Politics.* vol. 50 (January, 1988).

[8]Michael Taylor, "Rationality and Revolutionary Collective Action," in *Rationality and Revolution.* ed. Michael Taylor, (Cambridge: Cambridge University Press, 1988): 93; and Michael Taylor, "Structure, Culture and Action in the Explanation of Social Change," *Politics and Society.* vol. 17, (1989): 115-162.

of the analytical where we can untangle the structure agency linkages, we must be able to bracket one level in order to observe the effects of one on the other.[9] Uncovering the mechanisms that mediate the process of structure-agency interaction will help to clarify the conditions related to the initiation of international conflict.



A general typology of mechanisms outlined by Peter Hedstrom and Richard Swedberg[10] will prove useful for clarifying the idea of agent-structure mechanisms. Their model presents three essential mechanisms: *situational* mechanisms (type A) flow from structure to agent; *action-formation* mechanisms (type B), on the other hand, are the choice process mechanisms at the level of the agent; and finally, *transformational* mechanisms (type C) mediate between agent actions and structural effects. Since this

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[9]Gil Friedman and Harvey Starr, *Agency-Structure and International Politics: From Ontology to Empirical Enquiry.* (London: Routledge, 1997); Alexander Wendt, "The Agent-Structure Problem in International Relations Theory," *International Organization.* vol. 41, (Summer, 1987).

[10]Peter Hedstrom, and Richard Swedberg, "Social Mechanisms: An Introductory Essay," in *Social Mechanisms: An Analytical Approach to Social Theory,* eds., Peter Hedstrom and Richard Swedberg, (Cambridge: Cambridge University Press, 1998):22-23; Also see the interesting discussion of mechanisms in the same volume by Raymond Boudon, "Social Mechanisms Without Black Boxes,"; and Jon Elster, "A Plea for Mechanisms."

discussion is somewhat abstract, it might help to foreshadow what will be developed throughout the chapter in order to give some context to this discussion. A series of mechanisms is postulated throughout this chapter. The postulated mechanisms in this case run from the level of material structure to the level of ideational structure, and then from the ideational structure to the agency level where the choice process occurs. The process of choice then has mechanisms that connect it back to both the ideational and material layers of structure respectively. The intersubjective layer accounts for what could be interpreted as antecedent conditions for action, they give meaning to the actions of the agents in question and that provide a series of rules that guide behaviour. The ideas of identity and role provide a context in which agents act, understand, and make sense of the actions of others, while material structure structures the set of opportunities that are available to the decision maker(s) thereby enabling or constraining their actions. Material structures are the more traditional elements of international conflict theorizing: power and military capability; geography and distance; economic development; domestic conditions; international polarization; and alignments are all structural level variables that shape the feasible set of actions of state decision makers.

At the micro level, action-formation mechanisms function in the process of choosing among options in the opportunity set. The mechanism that will be developed later in the chapter is a simplification of prospect theory that draws on some essential elements, but excludes aspects that make prospect theory somewhat indeterminate beyond the confines of a laboratory. Whether or not the simplification is legitimate is ultimately

an empirical question; nevertheless, it serves as an intuitively appealing starting point for an action-formation mechanism. The three key elements will be the reference point (or aspiration level), the status quo, and the domain of the actor. Using these components it is possible to determine a decision rule that will be used by the decision makers to choose among their options. Without going into great detail, decision makers are hypothesized to choose an option corresponding to their risk-propensity; they will choose a risky option if they are in the domain of loss, whereas they will seek to avoid risks in the domain of gain. How the domains and the risk-level of particular choices are determined will be covered later in the chapter.

Transformational mechanisms, those that flow from action to structure, like their situational counterparts have two paths: the first to the material structures; and the second to the level of ideational structure. The changes induced intersubjectively and materially will affect the influence of the changed situational mechanisms in the new time period. The transformational mechanisms, therefore, can increase, decrease, or change the nature of the situational mechanisms and consequently the action-formation mechanisms as they pass through the cycling of mechanisms.

Having sketched out these mechanisms, it is necessary to demonstrate how a diverse set of phenomena, including military power, identity, and individual choice, can be assimilated to a single causal account. Clearly, identity and culture are often taken to have a less causal nature than more material variables like an ongoing arms race or the aggressive use of military force. John Ruggie, for example, argues that ideational

causation is distinct from standard causal accounts because ideational causation aims to explain the influence of social facts - facts with no objective reality, but that everyone agrees exist - on our actions and on the state of the social environment.[11] How, in other words, can subjective individual ideas be given a causal status similar to more material causes? Norms, rules, and identities are each important ideational factors that influence the shape of the structural world and the process of choice that is embedded within it. The opportunity set, therefore, is affected by identities, roles and rules, as well as other intersubjective and material structures. To say simply that the opportunity set is constrained by structural factors, however, is only half of the story; intersubjective structures also constitute the meaning of the actions within the opportunity set. John Searle, for example, believes that constitutive rules are an essential component influencing the opportunities facing an actor because they create the possibility of action. "Constitutive rules define the set of practices that make up any particular consciously organized social activity - they specify what counts as that activity."[12] Searle offers the game of chess as an example: without a set of constitutive rules that provide the structure for the game we are left pushing wood figures around a board with no meaning or significance; constitutive rules explain what specific actions can be taken, and what particular actions mean. The constitutive rules of chess suggest that there is no particular

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[11]John Ruggie, *Constructing the World Polity: Essays on International Institutionalization.* (New York: Routledge, 1998): 13.

[12]Quoted in Ruggie, "Constructing," 23. Also see John Searle, *Mind, Language, and Society: Philosophy in the Real World*, (New York: Basic Books, 1998) :111-134.

position on the board that designates "checkmate"; instead, "checkmate" is a relational concept given by the position of one player's king, the position of that player's other pieces and the ability of one of the second player's pieces to remove the king with a "legitimate" move by one of the players. The constitutive rules, therefore, define what it means to be in "checkmate." According to Searle, constitutive rules follow the general form "X counts as Y in (context) C."[13] Thus, a game has a specific meaning that is not present in its absence. In this sense, constitutive rules are socially constructed and are entirely subjective; however, it is important to be clear that despite their status as "unobservables", constitutive rules are "objective social facts" that exist independently of any given individual and have an impact on actions. I may not know how to play chess, but the rules themselves continue to exist, and were I to sit down to play chess with someone familiar with the game my "moves" would have to conform to those rules if we want to call the game chess.

Much the same logic extends to the concepts of identity, interests, and roles which are the concern of this chapter. For example, states whose identities with regard to one another are hostile provide a different context for action than the context between two friends or allies. In the case of the allies, the we-feeling that develops over time means that actions have a meaning associated with that context. If one of the allies chooses to build arms, the other ally, rather than feeling threatened, may feel that the new arms offers

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[13]Searle, "Mind, Language, and Society," 124.

both states additional security, while states with antagonistic relations in the context of the same arms buildup may see a threat to their security. Clearly, then, identities and meanings can function to constitute the opportunity set in a way that is distinct from constraints such as geographic proximity or military capability; the nature of the options within the set are a function of the interests which are manifested, and given meaning, through the identity relationship.

To subsume all of this into a causal account it is necessary to break away from the strictly logical interpretation of cause as necessary and sufficient conditions and move towards a more probabilistic account that sees different factors as contributing to sufficiency. In other words, there is no single-factor cause; there are instead a number of contributing factors whose addition increases the likelihood of conflict. Gary Goertz writes, "a cause is something (state-of-affairs or act at any level of analysis) that contributes to a sufficient condition for that outcome....X may not be sufficient in itself, but does increase the likelihood that Y will occur..."[14] Similarly, John Vasquez proposes that there are a series of steps-to-war that involve foreign policy behaviours that lead to conflict escalation and eventually war. Vasquez identifies a set of 'realpolitik' foreign policy practices that are associated with war, including: alliance making, military buildups, and repeated crises. These practices combine with underlying causes like an ongoing territorial dispute to increase the probability of conflict. "This process assumes that war

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[14]Gary Goertz, *Contexts of International Politics,* (Cambridge: Cambridge University Press, 1994):17.

results from a series of steps taken by each side. Each step produces, in succession, a situation that encourages the adoption of foreign policy practices which set the stage for the involved parties' taking another step that is closer to war."[15]

One of the benefits of this type of approach is the possibility of bringing underlying or distal causes into the analysis. A decision making theory, such as Bueno de Mesquita's, looks at proximate calculations concerning the costs and benefits of initiating a conflict, but does not incorporate any of concerns that led to that consideration in the first place. This is not intended to slight the expected-utility theory of war because Bueno de Mesquita explicitly states that it seeks only to establish necessary but not sufficient conditions. On another level, however, underlying influences are fundamental and need to be addressed more explicitly in theorizing about international conflict. Decision theories are, for the most part, disembodied from the context in which decisions are taken and are limited by excerpting choice from its temporal dimension.[16] John Vasquez's "steps"

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[15]John A. Vasquez, "The Steps to War," in *The Scientific Study of War and Peace: A Text Reader.* eds. John Vasquez and Marie Henehan, (New York: Lexington Books, 1992): 345. Also see, John A. Vasquez, *The War Puzzle*. (Cambridge: Cambridge University Press, 1993); John A. Vasquez, "The Steps to War in Europe, 1933-41," in *Conflict in World Politics: Advances in the Study of Crisis, War, and Peace.* eds. Frank Harvey and Ben D. Mor, (New York: St. Martin's Press Inc., 1998); John A. Vasquez, "The Evolution of Multiple Rivalries Prior to World War II in the Pacific," in *The Dynamics of Enduring Rivalries.* ed. Paul F. Diehl, (Urbana: University of Illinois Press, 1998); John Vasquez, "When are Power Transitions Dangerous? An Appraisal and Reformulation of Power Transition Theory," in *Parity and War: Evaluations and Extensions of the War Ledger.* (Ann Arbor: University of Michigan Press, 1996):35-56.

[16]Paul A. Anderson and Timothy J. McKeown, "Changing Aspirations, Limited Attention, and War," *World Politics.* vol. 40, (1987): 2; The Sprout's notion of the entity-environment relationship also nicely captures the necessity of understanding choice within a spatial and temporal context, see Harold Sprout and Margaret Sprout, *An Ecological Paradigm for the Study of International Politics.* (Princeton: Princeton University press, 1968).

approach provides an interesting example of theorizing about international conflict by addressing the importance of issues and social constructions in understanding war.[17]

A final point regarding the causal account adopted here should be addressed. Goertz outlines three modes of context that are particularly relevant for theorizing in international politics: context as cause, context as barrier, and context as changing meaning influence outcomes in international politics in distinct but related ways, with context as cause being the most straightforward and referring to a factor that contributes to a sufficient condition as outlined above. The barrier mode is slightly different than the causal mode in that a barrier is essentially an anti-cause; a barrier prevents an actor from reaching a specific goal, "a factor X is a barrier to another factor Y if and only if X's existence contributes to the non-existence of Y."[18] A barrier then can be interpreted in terms of a restriction on the feasible set[19], a limitation on the menu of choice[20], or as the Sprouts notion of environmental possibilism.[21] The idea of a barrier, then, slips inconspicuously into our account of causation through the agent-structure perspective; not

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[17]Vasquez, "The War Puzzle," chp. 1-3.

[18]Goertz, "Contexts," 21.

[19]See for example, Jon Elster, *Nuts and Bolts for the Social Sciences.* (Cambridge: Cambridge University Press, 1989); Jon Elster, *Ulysses Unbound.* (Cambridge: Cambridge University Press, 2000).

[20]Benjamin Most and Harvey Starr, *Inquiry, Logic, and International Politics.* (Columbia: University of South Carolina Press, 1989); Bruce Russett and Harvey Starr, *World Politics: The Menu for Choice.* 2nd ed. (San Francisco: Freeman, 1985).

[21]Harold Sprout and Margaret Sprout, *An Ecological Paradigm for the Study of International Politics.* (Princeton: Princeton University Press, 1968).

in the traditional causal sense, but as a factor contributing to sufficiency. It selects and delimits the possibilities facing decision makers, and is an essential ingredient in understanding and explaining the entirety of an outcome.

Some mechanisms, created by the presence of a barrier, indicate how the set of opportunities available to the decision makers can affect their willingness to take certain actions. A "sour grapes" mechanism, for example, induces a reformulation of preferences in such a way that what we prefer is a function of what we can have. The opposite "forbidden fruit is sweet" mechanism, however, leads to "counteradaptive preference adjustment" whereby preference structures conform to non-availability: we prefer what we cannot have because we cannot have it, not because it is would otherwise be preferred to options in the feasible set. In either case, the presence of the barrier contributes indirectly to the outcome.[22] Thus, in contributing to the structure - or shape - of the feasible set, a barrier can contribute to an outcome though preference adjustment mechanisms or via the restriction of agency choice. If a state chooses to build offensive arms because the presence of a barrier induced a "forbidden fruit is sweet" motivational adjustment mechanism that favors non-feasible set outcomes (ie. the ability to fight a war), then the arms buildup is in part a function of the barrier which influenced preference formation. In practice, of course, this type of mechanism would be virtually impossible to uncover, but the point remains: barriers that define the feasible set are important explanatory elements

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[22]See, Jon Elster, *Nuts and Bolts for the Social Sciences.* (Cambridge: Cambridge University Press, 1989): chp 2-3; Jon Elster, *Sour Grapes: Studies in the Subversion of Rationality.* (Cambridge: Cambridge University Press, 1983): 111.

that are highly related to causal accounts.

Goertz's final mode of context is that of changing meaning, which implies that context operates not on the independent or dependent variable directly; rather, it mediates between the two. The relationship between power and war, for example, may change depending on the contextual environment; the implications and meaning of power will have alternative effects in different conflict situations. This is much the same as Searle's constitutive rules where "X counts as Y in (context) C." In a hypothetical world of three states A, B, and C, that are all satisfied status quo powers the growth of state A economically and militarily, as a result of its specific resource endowments, plus the increased cooperation of B and C might well represent a traditional balance of power, yet it has no particular strategic implications since each state favours the status quo.[23] The meaning associated with military and economic expansion, or cooperative alignment in a world of dissatisfied powers, however, has an altogether different implication for strategy and security. In this sense context as changing meaning operates at the level of intersubjective, rather than material structure and the context serves as an underlying, not proximate, cause. The next section will take up the characteristics of the level of intersubjective structure in more detail, while the remainder of the chapter will be dedicated to outlining the other pieces of the agent-structure puzzle needed for a theory of international conflict.

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[23]See for a similar discussion of the role of anarchy in international relations, Alexander Wendt, "Anarchy is what States Make of it: the Social Construction of Power Politics," *International Organization.* vol.46 (spring) 1992.

Conflict Relationships: Identities, Issues, and Interests

In this section I seek to outline the level of ideational structure with more precision. Using a relatively general typology of interstate relations developed by Vasquez it is possible to shed some light on the interaction of agency and structure and the implications for international conflict. Although Vasquez's typology will be the starting point, this account goes beyond his by invoking more specific aspects of the constructivist research agenda, and by incorporating a specific theory of agency - prospect theory - to avoid his problematic reduction of agency to structure. The question of issues and identities will be addressed by exploiting some of the recent literature concerning enduring rivalries which has, over the past decade, been responsible for reintroducing a longitudinal dimension to the "scientific" study of conflict. The study of rivalries added a historical dimension to the largely ahistorical conflict literature by noting that most international conflict occurs between states that have experienced previous militarized confrontations between them. Conflicts, in other words, tend to be clustered and to occur under conditions where there is a heightened expectation of confrontation due to the extent of the mutual hostility, and the not unreasonable expectation of militarized disputes.[24] For the most part, the concept of rivalry is seen as a background condition (case selection mechanism in statistical

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[24]Paul F. Diehl, "Introduction," in *The Dynamics of Enduring Rivalries.* ed. Paul Diehl, (Urbana: University of Illinois Press, 1998): 2.

research) that provides an important context in which virtually all interstate conflict occurs.[25] More recent studies of rivalry have moved away from simple contextual concerns, seeking instead to problematize the rivalry itself, attempting to explain either the onset, evolution, or termination of rivalries by making different aspects of the rivalry relationship the dependent variable.

Most studies of rivalry, like most conflict literature, have tended to ignore the role of issues in the explanation of interstate conflict by focusing instead on the characteristics of the rivalry (number of militarized conflicts, duration, etc.) rather than seeking to understand the source of the conflict and the friction that an unresolved issue can promote.[26] The account of rivalry presented by Vasquez, however, incorporates an issue dimension in a way that is helpful for the current argument. The approach that he adopts differs from that of other scholars who have studied enduring rivalries because he attempts

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[25]Ibid., 2; Also see, Paul Hensel, "Interstate Rivalry and the Study of Militarized Conflict," in *Conflict in World Politics: Advances in the Study of Crisis, War, and Peace.* ed. Frank Harvey and Ben Mor, (New York: St. Martin's Press Inc., 1998):162-204; The protracted conflict approach has much in common with the concept of rivalry. It also defines a set of contextual conditions in which there is an increased probability of conflict. See, for example, Patrick James and Michael Brecher, "Patterns of Crisis Management," *Journal of Conflict Resolution.* vol. 32 (September, 1988); Patrick James and Jonathan Wilkenfeld, "Structural Factors and International Crisis Behavior," *Conflict Management and Peace Science.* vol.7, (Spring, 1984); Michael Brecher and Frank Harvey, "Conflict, Crisis and War: Cumulation, Criticism, Rejoinder," in *Conflict in World Politics: Advances in the Study of Crisis, War and Peace.* eds. Frank Harvey and Ben Mor, (New York: St. Martin's Press, Inc., 1998): 3-29.

[26]I should note, however, that there has been a growing interest in the issue dimension of the conflict literature in recent years. See for example, Kalevi Holsti, *Peace and War: Armed Conflicts and International Order 1648-1989.* (Cambridge: Cambridge University Press, 1991); Gary Goertz and Paul Diehl, *Territorial Changes and International Conflict.* (London: Routledge, 1992); John Vasquez, *The War Puzzle*. (Cambridge, Cambridge University Press, 1993); and the issue correlates of war project (ICOW) being developed by Paul Hensel which is currently working on territorial issues, but will seek to incorporate other issues in the near future.

to conceptualize rivalry in a theoretically coherent fashion rather than defining rivalry operationally as have most statistically oriented analysts.[27] Rivalry, according to Vasquez, is at heart a competitive relationship whose focal point is an issue, or related issues, of particular salience to both parties; their relationship is one of "mutually contingent hostility" manifested through their protracted interaction. By this Vasquez means that the foreign and security policies of each state will largely be directed against one another, and will be motivated externally by the nature of this relationship rather than internally via domestic factors.[28] Although Vasquez makes the case for an externally driven account of security issues we need not necessarily adopt this assumption. In fact, later the discussion will show that there are strong reasons to include internal and external aspects of identity formation.

States in a rivalry are in dispute over an unresolved issue that can be positioned either centrally or peripherally in the relationship. The more central the issue becomes, the more strongly the states' security policies will be directed towards one another.[29] Actors in a rivalry, then, are hypothesized to be psychologically motivated to avoid losses rather than seek gains and to emphasize actions that hurt or deny benefits to the rival rather than

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[27]See for example, Paul Diehl, "Arms Races and War: Testing Some Empirical Linkages," *Sociological Quarterly.* vol. 26 (1985): 334; Goertz, "Contexts," chp. 10.

[28]Vasquez, "The War Puzzle," 76.

[29]Ibid., 76; I will argue below that the centrality of the issue is a function of its "social construction," and that the more central the issue, the more it becomes symbolic of the state's identity.

those that aim only at self-advancement.[30] To be clear, it is not the state's security around which the rivalry has formed; rather, it is in reference to the desired "object" or unresolved issue between the states. However, if the rivalry issue is "constructed" as a part of the state's identity then its security significance is increased. The core rivalry issue, then, is exacerbated by the structural requisites of the security dilemma - where attempts to increase one's own security often decrease that of the other - in which rival states find themselves. In his excellent discussion of the security dilemma, Robert Jervis points out that there are three possibilities dictating the likelihood of cooperation once in the dilemma:

> (1) anything that increases incentives to cooperate by increasing the gains of mutual cooperation (CC) and/or decreasing the costs the actor will pay if he cooperates and the other does not (CD); (2) anything that decreases the incentives for defecting by decreasing the gains of taking advantage of the other (DC) and/or increasing the costs of mutual noncooperation (DD); (3) anything that increases each side's expectation that the other will cooperate.[31]

The difficulty, of course, lies in overcoming the initial obstacles imposed by the nature of rivalry itself. Since rivalries are spawned by issues that are intractable, efforts to create mutual incentives for cooperation are exceedingly difficult. The effects of the security

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[30]Vasquez, "The War Puzzle," 76.

[31]Robert Jervis, "Cooperation Under the Security Dilemma," *World Politics.* vol. 30 (January, 1978): 171; also see, Robert Jervis, "Realism, Game Theory, and Cooperation," *World Politics.* vol. 40, (1988); Related work using the prisoner's dilemma, chicken, and stag hunt matrices to evaluate the prospects for cooperation are, Robert Axelrod, *The Evolution of Cooperation.* (New York: Basic Books, 1984); Robert Axelrod and Robert Keohane, "Achieving Cooperation Under Anarchy: Strategies and Institutions," *World Politics.* vol. 38, (1985); Kenneth A. Oye, "Explaining Cooperation Under Anarchy: Hypotheses and Strategies," *World Politics.* vol.38, (1985).

dilemma, it is important to note, apply primarily if the issue has been centralized. If the rivalry issue is peripheral to the status of the relationship - friends can still be rivals over an "object" - state security concerns need not apply. The issue is important, however, if the state's identity/security is defined via the issue. Moreover, the psychological pathologies described by Vasquez which lead to the motivation to hurt or deny, undercut the trust needed to increase the expectation of cooperation. In a rivalry situation, then, it seems that there are few incentives to cooperate given the psychological motivations driving each adversary.[32] The important point is that the structural conditions of anarchy or the security dilemma are not sufficient to explain the 'typical behaviour' associated with them. It is important to understand the underlying relationship or identity through which the anarchic structure is operating, otherwise the security dilemma can explain only aspects of cooperation and conflict. As Alexander Wendt has argued, "anarchy is what states make of it."[33]

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[32]Another variable that has received a significant amount of attention with regard to its ability to mitigate or exacerbate the problems of the security dilemma is the offense/defense balance. The offense-defense balance refers to the advantage gained or lost depending on the relative potency of the weapons at that particular time. The offense has the advantage if it is easier to capture the territory or destroy the army of your enemy than to defend your own. The defense is advantaged if defending your own territory and army is easier than moving forward and capturing the assets of the competitor. Clearly different combinations of offense and defense will lead to different levels of stability in the security dilemma; if both have strictly defensive weapons, for example, the effects of the security dilemma are mitigated by the inability to attack with much success. See, Jervis, "Cooperation," 186-214; Jack Levy, "The Offensive/Defensive Balance of Military Technology: A Theoretical and Historical Analysis," *International Studies Quarterly*. vol. 28 (1984); Stephen Van Evera, "The Cult of the Offensive and the Origins of the First World War," *International Security*. vol. 9 (Summer, 1984); Stephen Van Evera, *The Causes of War: Power and the Roots of Conflict.* (Ithaca: Cornell University Press, 1999): chp. 6-7.

[33]Alexander Wendt, "Anarchy is What States Make of it: The Social Construction of Power Politics," *International Organization.* vol. 46, (Spring, 1992): 391-425.

Rivalry for Vasquez implies that stakes are defined along an actor dimension (there is one dominant issue) and that non-rivals define stakes along an issue dimension (there are multiple issues that offset one another).[34] The argument here is that the rivalry "issue" or "object" can be constructed centrally or peripherally to the state's identity. Unlike Vasquez, if the issue is peripheral the states remain rivals, although now this is only a part of the state's identity. If the issue is central on the other hand, the symbolic status of the issue is constructed in conjunction with the state's identity and becomes a primary security concern of the state. This single overarching issue influences the foreign policy practices adopted by the state and how these practices are interpreted by the opposing sides. In essence, the nature of the stakes are reduced to the single issue of us versus them resulting frequently in an increasing spiral of hostility. Given the nature of the hostility spiral, it might be helpful to think of the evolution of a dyadic relationship as vacillating between a rivalry and a fight phase over time. In a rivalry relationship hostility spirals are kept in check by the cross-cutting of other linkages, whereas the lack of linkages in a rivalry creates a context in which hostility can escalate rapidly. A rivalry, therefore, can shift between the two relationship phases. Using the rivalry-fight distinction we can hypothesize that militarized hostility will escalate to war only in the fight phase of the relationship even though the underlying issues around which the antagonism formed remain unresolved in the rivalry phase as well. This suggests that if a militarized conflict

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[34]Vasquez, "The War Puzzle," 76.

occurs in the rivalry phase it will not escalate.

The distinction could help to account for the patterns of war outbreak in a rivalry where militarized conflicts are interspersed between wars; it could also help explain the finding that most wars are preceded by several militarized disputes that do not escalate.[35] If there is evidence to show that the fight phase corresponds with wars and the rivalry phase with non-escalating militarized disputes then we can begin to unravel one part of the nexus of war. There are several gaps in this approach that need to be addressed, however. The most pressing is that we do not know when or why a competitive relationship will become a rivalry. The last section of this chapter argues that the onset of a critical point (a period when linear extrapolation of past foreign policy roles become obscure) opens the door for a reevaluation and reconstruction of the relationship.

The conflict relationship that we have been discussing is in large part a function of the identity issues that make up a significant portion of the constructivist research enterprise. Identities and roles are seen to be fundamental for both determining the preferences of an actor and for ensuring "some minimal level of predictability and order" in international politics.[36] Although most discussions of predictability and order are the

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[35]Russell Leng, "When Will They Ever Learn? Coercive Bargaining in Recurrent Crises," in *The Scientific Study of Peace and War: A Text Reader.* eds. John Vasquez and Marie Hanehan, (New York: Lexington Books, 1992). A militarized dispute is defined as "a set of interactions between or among states involving threats to use military force, displays of military force, or actual uses of military force...these acts must be explicit, overt, nonaccidental, and government sanctioned." see Charles Gochman and Zeev Moaz, "Militarized Interstate Disputes, 1816-1976: Procedures, Patterns, and Insights," *Journal of Conflict Resolution.* vol. 28 (1984): 587.

[36]Ted Hopf, "The Promise of Constructivism in International Relations Theory," *International Security.* vol. 23 (Summer, 1998):174.

territory of institutionalization and regime theory[37], rivalries, in a less formal manner, also provide a stable set of mutual expectations based on antagonistic identities. Ted Hopf, for example, argues that there are three important contributions made by identities to life in the international sphere. Identities tell "you and others who you are and they tell you who others are," they also "strongly imply a particular set of interests or preferences" that will guide your actions depending on the domain of interaction.[38] The domain of interaction - who you are interacting with - is theoretically important because a single state can have different identities depending on who the other party is. From the constructivist perspective, "a state understands others according to the identity it attributes to them, while simultaneously reproducing its own identity through daily social practice."[39]

Because state interests are constructed and defined via identity, the actions manifested through those interests also tend to reinforce them. A hostility spiral is an excellent example of actions reproducing identities through transformational mechanisms. Building arms creates fear for a rival because of the characteristics of the security dilemma; that fear then causes the second state to see the first as hostile and threatening which pushes it to build its own arms, thereby perpetuating the cycle. The dynamic of the hostility spiral is found in most accounts of arms races, but the empirical evidence linking

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[37]Robert Keohane, "International Institutions: Two Approaches," *International Studies Quarterly.* vol. 32, (1988); John Ruggie, *Constructing the World Polity: Essays on International Institutionalization.* (New York: Routledge, 1998).

[38]Hopf, "The Promise," 175.

[39]Ibid., 175.

arms races to war is sketchy. The consensus seems to be that arms buildups contribute to the onset of conflict, but do not themselves account for the outbreak of war. The effect of arms races on war seems to be most pronounced in periods of shifting relative power where an arms buildup is often a signal of dissatisfaction with the status quo.[40] In the case of our argument, military buildups can be seen to be activated by the identity relationship in which it is embedded.

There are, according to Alexander Wendt, two dimensions to identity that need to be recognized: there is first, "corporate" identity which refers to the "intrinsic, self-organizing qualities that constitute and actor individually"; and second, "social" identity which refers to the aspects of identity that are formed through the interactive identification of self and other, via a specific other.[41] Social identity, in other words, is the aspect of

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[40]On the hostility spiral see, Robert Jervis, *Perception and Misperception in International Politics.* (Princeton: Princeton University Press, 1976): chp 3; on the linkage between arms races and war see, Michael Wallace, "Armaments and Escalation: Two Competing Hypotheses," reprinted in *The Scientific Study of Peace and War: A Text Reader.* (New York: Lexington Books, 1992):75-87; Michael Altfeld, "Arms Races? - And Escalation? A Comment on Wallace," *International Studies Quarterly.* vol. 27, (1983):225-231; Michael Wallace, "Arms Races and Escalation - A Reply to Altfeld," *International Studies Quarterly.* vol. 27, (1983): 233-35; Paul Diehl, "Arms Races to War: Testing Some Empirical Linkages," *The Sociological Quarterly.* vol. 26, (1985): 331-349; Paul Diehl, "Arms Races and Escalation a Closer Look," reprinted in *The Scientific Study of Peace and War: A Text Reader.* eds. John Vasquez and Marie Henehan, (New York: Lexington Books, 1992): 93-103; Paul Diehl, "Contiguity and Military Escalation in Major Power Rivalries, 1816-1980," *The Journal of Politics.* vol. 47, (1985): 1203-1211; Randolph Siverson and Paul Diehl, "Arms Races, the Conflict Spiral, and the Onset of War," in *The Handbook of War Studies.* (Boston: Unwin & Allen, 1989):195-218; George W. Downs, David M. Rocke and Randolph Siverson, "Arms Races and Cooperation," *World Politics.* vol. 37, (1985): 118-146; Suzanne Werner and Jacek Kugler, "Power Transitions and Military Buildups: Resolving the Relationship between Arms Buildups and War," in *Parity and War: Evaluations and Extensions of the War Ledger.* (Ann Arbor: University of Michigan Press, 1996).

[41]Alexander Wendt, "Collective Identity Formation and the International State," *American Political Science Review.* vol. 88, (June, 1994): 385.

identity that allows states to have multiple identities in relation to different states, while the corporate aspect remains more or less fixed. Corporate dimensions of identity do change, but over a greater period of time. It will be argued later that major reconstructions of corporate identity correspond with critical points in the trajectory of a nation's perceived relative capability. For now, however, what is important to note is that the interaction between corporate and social identity shapes the interests and policy preferences of states: "how a state satisfies its corporate interests depends on how it defines the self in the relation to the other, which is a function of social identities at both domestic and systemic levels of analysis."[42] The actions (social practices) that flow from the interests defined by corporate and social identities are, therefore, the means through which the intersubjective meanings that define the social structure, and the identities themselves, are reproduced.

Similarly, Jutta Weldes argues that "the categories of common sense for foreign policy, the intersubjective and culturally established meanings on the basis of which state officials make decisions and act, are provided by the "security imaginaries" of states."[43] The security imaginary is a pre-existing set of meanings used to inform the understanding of state officials about the world in which they are operating. It is through the security imaginary that state identity, and the identity of others, is formed; officials construct as

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[42]Ibid., 385.

[43]Jutta Weldes, *Constructing National Interests: The United States and the Cuban Missile Crisis.* (Minneapolis: University of Minnesota Press, 1999): 10.

well as reproduce the "repertoire of meanings offered by the security imaginary." Using the meanings that they have constructed, officials are able to understand their relations with other states because they can attribute to other actors or objects characteristics embodied in the security imaginary. Drawing on the information in the security imaginary actors and objects external to the state can be appended with an identity: "it is endowed with characteristics that are sometimes precise and certain, at other times vague and unsettled. It might be endowed with leadership; it might be potentially but not actually dangerous; it might be weak, strong, or simply irritating."[44] We can think of the security imaginary as mediating between the influences of corporate and social aspects of identity formation. Social interactions contribute to the formation of meanings, but more importantly to identifying the type of interstate relationship that exists between two states which is then attributed significance through the security imaginary. In the case of a conflict relationship, the disagreement over the issue at the heart of the conflict manifests actions whose meanings are not given they are, rather, "performatively" constituted: the relationship is interpreted and constructed through interaction over the course of time.[45] Often, the unresolved issue at stake is enough to increase the likelihood that actions will be interpreted as having hostile intent.

Looking back on this discussion there are three general categories related to

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[44]A full discussion of security imaginaries and their relation to identity and interests is found in Weldes, *Constructing National Interests,* 10-16.

[45]See, David Campbell, *Writing Security: United States Foreign Policy and the Politics of Identity.* (Minneapolis: University of Minnesota Press, 1992): chp 1.

identities that will be important throughout the remainder of the chapter: (1) *Cooperative* relationships that entail a "we-feeling"[46] between states tend not to be defined as self and other but as part of a larger group that they see as essentially "the same" as themselves. The interests of these states are generally congruent and any conflicts of interest that do arise are handled without threat of military violence and diplomatic solutions predominate. There are also significant cross-cutting linkages spanning many issues, and sub-state interaction is not uncommon. (2) *Rivalry* relationships have a peripheral "issue" that remains an outstanding grievance, but because the issue remains peripheral to the state's identity it does not come to dominate the relationship between the states. The security dilemma is operative here, where it is not in a cooperative setting; however, there remains considerable space for cooperative action between the states despite the security dilemma.[47] Since there are multiple issues of relatively equal salience between the two states tension on one is mitigated to some extent by the presence of the others. Accordingly these relationships can escalate to the level of a militarized dispute, yet they will not proceed to war because diplomatic channels are open and receptive to proposals. (3) A *fight* relationship is a phase of the rivalry relationship. In this phase there is an increased probability of militarized disputes and a significant chance that these hostilities

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[46]Karl W. Deutsch et al., *Political Community and the North Atlantic Area: International Organization in Light of Historical Experience.* (Princeton: Princeton University Press, 1957), 36.

[47]The strategies proposed by Jervis, Axelrod and Keohane will have influence here, see Jervis "Cooperation,"; Axelrod, "The Evolution of Cooperation,"; and Axelrod and Keohane, "Achieving Cooperation".

will escalate to war. A primary issue now dominates thinking over the entire relationship eliminating the tension reducing benefits of cross-cutting issues and leaving the security dilemma at its most dangerous, with little chance for cooperation. Foreign policy behaviour in a rivalry tends towards its most belligerent realpolitik form which only reinforces and exacerbates the hostility spiral that the states have entered.

A caveat regarding these three categories should be noted, however. As these relationships are socially constructed they depend on both social and corporate aspects of identity formation which implies the possibility that these distinctions are not mutually exclusive. There is, for example, the possibility that one state defines the relationship in a different category than does the other. There could be dyads defined as cooperative-rivalry or as rivalry-fight. A cooperative-fight categorization, however, is highly unlikely. It could also be argued that over time unbalanced relationships will tend to move towards balance. Since identity relationships are mutually constituted through social practice, patterns of foreign policy interaction will become embedded and embedded patterns are, by necessity, balanced patterns. While mutual hostility or cooperation can become embedded, a rivalry-fight balance will not be maintained for long since through their actions they will come to reevaluate unbalanced interaction and the states will either enter a rivalry-rivalry or a fight-fight balance. Before moving on to discuss the level of material structure, the level of agency will be addressed and its connections to the level of ideational structure will be explored.

escalation. Risk is central to understanding escalation because the risk orientation of the key decision maker will play a central role in determining the means chosen to cope in a particular environment. The importance of risk-attitude can be demonstrated by outlining one of the early defining debates in the literature on system-structure and war.

The debate concerning the relationship between polarity and war featured Kenneth Waltz who believed that bipolarity was associated with peace and that multipolarity contributed to war on one side, and Karl Deutsch and David Singer who proposed that multipolarity led to peace and bipolarity to conflict on the other - polarity being the number of major powers in the system. Deutsch and Singer believed that an increased number of major powers, of relatively equal capability, would stabilize the system because of the increased interaction opportunities and greater uncertainty.[50] Accordingly, the attention of decision makers is directed towards the various competing states rather than any one particular adversary. The authors suggest, furthermore, that given the increase in poles states inevitably develop other cross-cutting ties that reduce the tendency towards conflict. Greater interaction also dampens the tendency towards arms racing, ideological conflict, and military over-expenditure all common in a bipolar world.[51] A central but embedded assumption of their argument is the idea that greater uncertainty (created by an

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[50]Karl Deutsch, and David J. Singer, "Multipolar Power Systems and International Stability," *World Politics.* vol. 16 (April) 1964: 390-406.

[51]Patrick James, "The Causes of War: How Does the Structure of the System Affect International Conflict?" in *World Politics: Power, Interdependence and Dependence.* eds. David G. Haglund and Michael K. Hawes, (Toronto: Harcourt, Brace, Jovanovich, 1990).

increase in poles) leads decision makers to act more cautiously by following tried and true policies that keep them from plummeting into war by adopting untested policies.[52]

The position advanced by Waltz is essentially the opposite of Deutsch and Singer's position. Waltz argues that in a bipolar world - whether two major powers, or two major blocs - the conditions for peace are more readily found. Waltz outlines four reasons for his belief in the stability of a bipolar world. First, he posits that in a world without relevant peripheries the major powers are free to concentrate their full and undivided attention to the threat posed by their rival. Accordingly, managing the system becomes easier.[53] A related point, in Waltz's view, is the increased stringency of monitoring that takes place in a bipolar setting; relevant changes along important dimensions are identified and handled quickly and efficiently by each superpower. In a world of divided attention this type of monitoring and response would not be possible.[54] The third advantage of a bipolar system is the changed role of crises which assume a position as a substitute for war. Waltz believes that crises are more readily handled because of the dynamics of a bipolar system where major powers can manage a crisis incrementally without an immanent threat of war.[55] Finally, the preponderant position of the two powers compels

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[52]Bruce Bueno de Mesquita, "Systemic Polarization and the Occurrence and Duration of War," *Journal of Conflict Resolution.* vol. 22 (June) 1978: 241-267

[53]James, "The Causes of War," 41.

[54]Kenneth Waltz, "Stability in a Bipolar World," *Daedalus.* vol. 93 (summer) 1964: 881-909; Kenneth Waltz, *Theory of International Politics.* (Reading Mass: Addison-Wesley, 1979).

[55]James, "The Causes of War," 41.

them to act as managers of the system, intervening in their respective spheres of influence when necessary to avoid overly destructive conflicts or wars. In essence Waltz is arguing that bipolarity increases transparency and certainty which results in fewer miscalculations and misperceptions.

The embedded assumption in Waltz's account starts out similarly to that of Deutsch and Singer, arguing that a multipolar system creates greater uncertainty; Waltz diverges, however, in that he sees greater uncertainty as contributing to war, whereas Deutsch and Singer see the pacifying effects of uncertainty. The advantage of a bipolar system seen by Waltz, therefore, is found in the decreased uncertainty found therein. Bueno de Mesquita points out the mistaken reasoning associated with these seemingly incommensurable positions by noting the additional assumptions that are required to make the approaches operate in the specified manner, "Deutsch and Singer's hypothesis contradicts Waltz's hypothesis because they implicitly assume an opposite risk-taking propensity on the part of foreign policy decision makers."[56] There is no reason to assume, as do Deutsch, Singer, and Waltz that there is a relationship between uncertainty and risk-orientation. Actors can be either risk-seeking or risk-averse under uncertainty, and from this perspective neither position holds water. Deutsch and Singer must assume that decision makers are risk-averse for their hypothesis to hold, while Waltz requires a risk-

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[56]Bueno de Mesquita, "Systemic Polarization," 244; also see, Bruce Bueno de Mesquita, "Measuring Systemic Polarity," *Journal of Conflict Resolution,* vol. 19 (June) 1975; Bruce Bueno de Mesquita, "Risk, Power Distributions, and the Likelihood of War," *International Studies Quarterly.* vol. 25 (December) 1981.

seeking assumption to support his hypothesis.[57] The point of this discussion, in any case, is to show that risk-orientations can play an important role in theorizing about international conflict. The utility of specific outcomes is in part a function of the degree of risk that one is willing to accept to achieve that particular outcome.

Returning to the question of an operational version of prospect theory we can see that there is clearly an important role for risk-orientation in any conflict theory and prospect theory offers a relatively straightforward means for hypothesizing risk-attitudes. OPT, therefore, needs to incorporate this characteristic into the decision-rule that will specify a choice among the options facing foreign policy decision makers in the feasible set. To do this, we can think of domain - either gain or loss - as being the independent variable, and of risk-propensity as the dependent variable. A decision maker in the domain of gains therefore will be risk-averse, while a decider in the domain of loss will be risk-seeking. The decision-rules hypothesized to explain how decision makers will choose among the feasible set options are specified as: (a) when in the domain of gains choose an option that represents minimal risk despite the low likelihood of recovering losses; (b) choose an option that represents greater risk but offers a greater possibility of recovering losses when in the domain of loss. Determining the level of risk associated with particular options will be covered below, before turning to risk, however, the operationalized versions of reference levels and domain need to be addressed.

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[57]Bueno de Mesquita, "Systemic Polarization," 242-244.

Framing Effects: Reference Points or Aspiration Levels

Framing effects can contribute to the domain of decision makers by giving an alternative interpretation of losses or gains with regard to the issues or options at hand. The effects of framing are purely psychological and affect the way that the decision calculus proceeds through the construction of options. Jack Levy notes that "because of the asymmetrical treatment of gains and losses and the importance of the reference point in defining these distinct domains, the identification of the reference point or *framing* of a choice problem becomes critical.[58] In most applications of prospect theory, however, the role of the reference point is given only limited consideration because in most cases it corresponds with the status quo. Anything perceived as a loss from the status quo induces a choice of options that provides the means to most quickly return the decision maker to that point, regardless of the risk involved. Often, such a choice will lead to even further losses if the risk does not pay off.

A related point of concern in empirical applications of prospect theory is the problem of multiple domains. This simply means that the problem of loss from the status quo can occur along different dimensions such as economics, military capability, domestic popularity, or international status. The question facing the researcher then is: how can we determine if loss on one of these dimensions will translate to risk-taking during a conflict?

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[58]Jack Levy, "Loss Aversion, Framing, and Bargaining: The Implications of Prospect Theory for International Conflict," in *Conflict in World Politics: Advances in the Study of Crisis, War, and Peace.* eds. Frank Harvey and Ben Mor, (New York: St. Martin's Press Inc., 1998): 101.

This question has been essentially ignored in virtually all empirical applications of prospect theory to international relations. Analysts simply draw on one or two of these dimensions, assess domain and invoke risk-aversion or risk-taking to account for decisions. Systematically locating the relevant reference point, therefore, is of primary importance if we expect to use the insights of prospect theory to explain decisions.

In order to overcome the reference point problem this section will specify a clear role for the reference point and how that point comes to be determined. The reference point, it will be demonstrated, plays a fundamental role in teasing out the linkages between the intersujective level of structure and the decision-rules that determine choice within the feasible set. The primary determinant of the reference point is taken to be the social construction of the issue at the heart of the conflict relationship. The point was made above that as the conflict relationship moves from the rivalry to the fight phase the rivalry issue is constructed centrally rather than peripherally, and this creates a primary issue over which gains and losses tend to be determined. How this reference or aspiration point is constructed, therefore, will have significant implications for the process of choice. For example, if the reference point for the issue is constructed above the current status quo (at an aspiration level), then relative to that aspiration level the status quo is in the domain of loss. If the issue is constructed in such a way that the issue corresponds to the status quo we expect that risk-aversion will dominate the process of choice. There is a possibility that a reference point for the issue could be constructed below the status quo, but intuitively there is no reason to believe that we aspire to having less than we currently

have, or to be worse off than we already are. If that happened to be the case however, conflict would be highly unlikely over this issue because a state could simply appease the other side by giving up something that was, apparently, of little value.

We are left, then, with the proposition that conflict escalation occurs only when a conflict relationship - which is issue driven - shifts from a rivalry to a fight phase and is characterized by the issue being defined by the centralization of the issue in the state's identity. This implies that the issue assumes a symbolic significance disproportionate from its inherent value, and that it is fused with aspects of state identity. In essence, the issue is imbued with qualities that can be accounted for only through identity construction, and attempts to rectify the perceived imbalance will stem from state interests and preferences defined by that identity. It is assumed, then, that if an issue - in the context of a rivalry phase of a conflict relationship - becomes bound in social and corporate aspects of identity then there must be a fairly strong disagreement over the allocation of that issue, and that one of the parties will have an aspiration level above the status quo. This does not preclude the possibility that a conflict relationship can go on for decades with an issue remaining unresolved, however. The reference point for the primary issue can be constructed in accordance with the status quo in the rivalry phase of the conflict relationship since issues can remain peripheral to the state's identity.

Risk-Orientation and Decisions

Earlier in the chapter the importance of risk was briefly discussed and it was

indicated that the risk-orientation of state officials would play a significant role in understanding the choice of action among the available options in the feasible set. The operational measure of risk that will be adopted here must maintain a level of independence from the measures of the reference point and domain, otherwise there is no way to determine the influence of the latter on the former. To say simply that the chosen action is risk-seeking because the decision maker is in the domain of loss conflates the two variables and tells us nothing of any validity about the importance of domain or risk. McDermott's conceptualization of risk, although not entirely unproblematic, overcomes this central difficulty.

McDermott argues in favor of an economic definition of risk where risk represents, and "will be analyzed in terms of relative variance in outcome. A choice is relatively risk seeking if it has greater outcome variance in promoted values than alternative options."[59] Ordinal comparisons of options will be used to establish the amount of risk associated with particular choices because this approach allows for comparisons across policies and issue areas that have different expected values. If for example there are two available options, the first option offers the best possible outcome if all goes according to plan, but the worst outcome otherwise. The second option offers a second best outcome if it works, but it offers a better worst outcome than the first option. In other words, option one offers outcome preferences one and four (one being the best and four the worst),

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[59] The discussion of risk-assessment that follows draws on McDermott's analysis, see McDermott, "Risk-Taking in International Relations," 38-40.

while option two offers outcome preferences two and three. There is greater outcome variance between preferences one and four than between two and three, which means, according the present definition, that the first option (action) is the riskier choice. Other combinations of outcome preferences are also possible and these will dictate the risk assessment under those particular conditions.

An alternative scenario can also be addressed using ordinal comparisons of outcomes; if one option represents outcome preferences one and two while the second option represents outcomes three and four, the worst outcome of the first option is better than the best outcome of the second option. The variance in this case is identical (one-two versus two-three), but on rational grounds it is safe to assume that option one is the best choice. When this is the case, prospect theory does not make a different prediction than standard rational decision analysis.[60] Given this approach, it is possible to evaluate the risk associated with particular options that were under consideration by the decision makers at the time. McDermott notes that "the riskiness of the option chosen will be assessed relative to that of the other options perceived to be available at the time in terms of the variance in outcome just described." The options in the feasible set, it was argued, are a function of the socially constructed identities and interests between the states. The nature of the identity relationship, therefore, should offer some insight into why interests are defined the way they are and also why certain preferences and options dominate the

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[60]Ibid., 40.

feasible set.

The remainder of the decision process is assumed to maintain boundedly rational characteristics of goal seeking within constraints, of limited and problem-motivated search, and of using rules of thumb to guide the decision process.[61] There are five stages involved in decision making processes according to Zeev Moaz, who outlines the stages as diagnosis, search, revision, evaluation, and choice. These stages, he contends, are consistent across different modes of analysis whether rational, cybernetic, bureaucratic, or cognitive.[62] To treat these stages from a perspective of bounded rationality simply implies that state officials diagnose the situation with an interpretation that is reasonably consistent with the evidence, that a limited search be undertaken to gather immediately relevant information, and decision makers update their evaluations according to the newly available evidence. Rather than arguing that decision makers are satisficing actors - they choose the first "good enough" option - they are seen to make decisions in accordance with the tenets of prospect theory that were laid out previously.

Material Structure: The State Among States

The role of 'power' in theories of international conflict has a long and distinguished

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[61]See, Anderson and McKeown, "Changing Aspirations," 3; James March, "Bounded Rationality, Ambiguity, and the Engineering of Choice," reprinted in *Rational Choice.* ed. Jon Elster, (Cambridge: Cambridge University Press, 1986):142-169

[62]Zeev Maoz, *National Choices and International Processes.* (Cambridge: Cambridge University Press, 1990): chp 5; also see, Michael Nicholson, *Rationality and the Analysis of International Conflict.* (Cambridge: Cambridge University Press, 1992): chp 3.

pedigree. Beginning with early formulations of balance of power and power transitions as well as their more current formulations, the polarity-mutipolarity debates, theories of hegemonic war, and power cycle theories, theorists have argued that power plays a central role in understanding the dynamics of international conflict.[63] Much of this research, however, seems contradictory and unable to explain a great deal of the conflict found in the international system. Some of the difficulties lie in different formulations of analysis occurring at the systemic rather than the dyadic level of analysis, and from static versus dynamic interpretations of the theories. According to Kelly Kadera, "The picture emerging from these results is one in which equality produces peaceful interactions, movement away from equality and towards disparity leads to war, and further movement

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[63]For early formulations of balance of power and power transition see, Hans Morgenthau, *Politics among Nations.* 6th ed. (New York: Alfred Knopf, 1948); Kenneth Organski, *World Politics.* (New York: Alfred Knopf, 1958); updated versions of balance of power see, Kenneth Waltz, *Theory of International Politics.* (New York: Addison-Wesley, 1979); Henry Kissinger, *Diplomacy.* (New York: Simon and Schuster, 1994); for power transitions see, Kenneth Organski and Jacek Kugler, *The War Ledger.* (Chicago: University of Chicago Press, 1980); Jacek Kugler and Kenneth Organski, "The Power Transition: A Retrospective and Prospective Evaluation," in *The Handbook of War Studies.* ed. Manus Midlarsky, (Boston: Unwin Hyman, 1989): 171-194; Jacek Kugler and Douglas Lemke, eds. *Parity and War: Evaluations and Extensions of the War Ledger.* (Ann Arbor: University of Michigan Press, 1996); on polarity and war see, Alan N. Sabrosky, ed. *Polarity and War.* (Boulder: Westview, 1985); Randolph Siverson, and Michael Sullivan, "The Distribution of Power and the Onset of War," *Journal of Conflict Resolution.* vol. 27, (September, 1983); for the hegemonic theory of war see, Robert Gilpin, *War and Change in World Politics.* (Cambridge: Cambridge University Press, 1981); Robert Gilpin, "The Theory of Hegemonic War," *Journal of Interdisciplinary History,* (Spring, 1988); on power cycle theory see, Charles Doran and Wes Parsons, "War and the Cycle of Relative Power," *American Political Science Review.* vol. 74, (1980); Charles Doran, "Power Cycle Theory of Systems Structure and Stability: Commonalities and Complementarities," in *The Handbook of War Studies.* ed. Manus Midlarsky, (Boston: Unwin Hyman, 1989); Charles Doran, "Systemic Disequilibrium, Foreign Policy Role, and the Power Cycle: Challenges for Research Design," *Journal of Conflict Resolution.* vol. 33, (September, 1989); Charles Doran, *Systems in Crisis: New Imperatives of High Politics at Century's End.* (Cambridge: Cambridge University Press, 1991).

towards a great preponderance for one nation returns the scene to pacifism."[64] Of course the opposite should also hold true as well, even though it is not specified by Kadera; movement from preponderance through disparity to equality should follow a similar conflict trajectory in the opposite direction. The argument seems to suggest that the answer to the power-conflict mystery lies in the dynamics of shifting power and the perceptions that this creates.

Several analysts have claimed that the process of transition leading a major power challenger to overtake the dominant major power - where at the transition point the states' power levels near parity - leads to a system-altering war because it is the dominant power that is primarily responsible for establishing the rules of the system. If the challenger nation is dissatisfied with these rules it will, upon transition, change the system structure through global war. The drawback to the approach is that it applies to only a tiny percentage of wars in the international system. Most wars that occur are not system transforming wars, nor do most combatants seek to redefine the rules that guide behaviour in the international sphere.[65] The more limited goal of issue reallocation seems to be much more common core for international conflict. Is there a use for power analysis in

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[64]Kelly Kadera, "The Power-Conflict Story: A Synopsis," *Journal of Conflict Management and Peace Science*. vol. 17, (1999).

[65]An excellent review of the literature on major power war is, Jack Levy, "Theories of General War," *World Politics*. vol. 37, (1984):344-374; also see the more extensive discussion of war in, Jack Levy, "The Causes of War: A Review of the Theories and Evidence," in *Behavior, Society , and Nuclear War VI*. eds. Philip Tetlock, Jo L. Husbands, Robert Jervis, Paul Stern, and Charles Tilly, (New York: Oxford University Press, 1989): 209-333.

situations that are not exclusively focused on the major powers; and if so, does the dynamic of a power shift play the same or a different role for major and minor power conflict? The answers to these questions continue to be debated among analysts in current research efforts. The analysis here suggests that perceptions of shifting capabilities are important, but that their role in regional sub-system analysis is different than in the major power system.

The two most common approaches in the power literature focus on different units of analysis. One strand of research focuses on the systemic level with its primary emphasis on the major powers while the second line of analysis chooses the dyad as the unit of analysis. Both of these approaches faces serious limitations because the former, as we have already discussed, looks only at system transforming major wars, and the later looks exclusively at the dynamics of the dyad and ignores other potentially important factors outside these paired relationships. Since there are more than simply major power wars and because dyads do not exist in a vacuum there are good reasons to look at other possibilities. It seems reasonable to assume, as does William Moul, that in any conflict there are always three relevant parties: the states on either side of the conflict and states that can be considered relevant bystanders.[66]

Decision makers facing a war decision consider not only the power of their

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[66]William B.Moul, "Balances of Power: Analogy, Arguments, and Some Evidence," in *World Politics: Power, Interdependence and Dependence.* eds. David G. Haglund and Michael K. Hawes, (Toronto: Harcourt, Brace, Jovanovich, 1990): 56-82; the argument that a state's actions affect others outside the dyad and are also influenced from outside the dyad is found throughout Robert Jervis, *System Effects: Complexity in Political and Social Life.* (Princeton: Princeton University Press, 1997).

adversaries; they also consider the power that can be brought to bear for or against them by third parties. In other words, perceptions of third-parties reactions to conflict- whether they will join, oppose, or remain neutral - will always influence decisions for war. The group of relevant nations, therefore, forms a conflict sub-system where the actions and their consequences impact the most forcefully. Paul Diehl, for example, argues with regard to the set of relevant states that "actions taken in one state are more likely to affect its neighbours" and later that "the willingness of states to fight is enhanced by geographic proximity. States may be more willing to fight over events or stakes that are closer to home in that they are considered more important than those farther away."[67] This is true for most states, but major powers and superpowers have larger zones of "unconditional viability" than smaller states, allowing them to overcome some geographic restrictions and to be considered relevant parties even if they are not contiguous.[68]

The purpose of considering relevant states is nicely stated by Moul: "to speak of the balance-of-power 'system' without ambiguity is to speak of actions or positions of states among states, not of a state aggregate," and he also notes "no matter what is the arrangement of states in the present, a balance of power exists if the prospect includes the possibility of the weaker being made stronger than, or equal to, a potential opponent by a

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[67]Paul F. Diehl, "Geography and War: A Review and Assessment of the Empirical Literature," *International Interactions.* vol. 17, (1991): 18.

[68]Boulding's conceptualization of zones of viability is discussed in, G. R. Boynton, "Linking Problem Definition and Research Activities: Using Formal Languages," in *Missing Elements in Political Inquiry: Logic and Level of Analysis.* eds. Judith A. Gillespie and Dina A. Zinnes, (Beverly Hills: Sage Publications, 1982): 43-60.

coalition with the third party."[69] The implication is that static balance or preponderance explains little because the potential to balance exists. The dispersion of power, therefore, can be different at different times and yet still be peaceful. Depending on the status of alignments and capability-decay (over distance) many configurations could lead to peace and many others to war. One way to add leverage to this theoretical approach is to incorporate the notions of identity and role into a sub-systemic account of power relations to help account for the willingness to fight.

Considering the many variations on the meaning of power it is essential that its usage here be clarified. Following David Baldwin's analysis, power is assumed to situationally specific and only mildly fungible across issue areas.[70] Power analysis, however, is not entirely non-generalizable according to Baldwin. Policy contingent frameworks of analysis make it possible to use power analysis more effectively. This thesis is concerned with the use of power in terms of the ability to use military force to influence issue reallocation, and, more specifically, how decision makers calculate their "odds" of success given situationally specific factors such as geography, economic and military capacity, and potential third party involvement. The discussion of power and capabilities, therefore, refers to the beliefs and perception of decision makers and not to the "objective" power of states to assert their "interests." Retrospective analysis of power

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[69]Moul, "Balances of Power," 66.

[70]David Baldwin, "Power Analysis and World Politics: New Trends Versus Old Tendencies," *World Politics*, vol. 31. (1979): 166.

based on the who's interests prevailed[71] is an aspect of power analysis that will not be dealt with here. The question of power, then, concerns calculations of perceived potential for action, and the material capabilities that shape those calculations. Stephen Van Evera notes that "power realities create outcomes through their impact on perceptions of power realities, which in turn shape outcomes."[72] In other words, decision makers act on their perceptions, but outcomes are shaped but the confluence of actions and "objective" reality. The theoretical arguments presented in this thesis are concerned with actions rather than outcomes, and, therefore, should focus on the calculus of power. The use of the term power throughout the remainder of the thesis will refer to the material capabilities influencing decisions through the perceptions of decision makers; accordingly, the terms power and capability will be used interchangeably throughout the remainder of the thesis.

Power seems to have two dimensions that are relevant for explaining its importance as a determining factor in the outbreak of international conflict. The objective and subjective dimensions of capability are both fundamentally important in any power based explanation of conflict - theories that focus exclusively on one dimension are incomplete and will be incapable of providing a satisfactory explanation. Objectively, capability can be seen as the ability to act; by setting the parameters of the feasible set some actions become objectively impossible because the state lacks the resources to undertake the action. From this perspective what is particularly germane is the minimal

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[71]See Steven Lukes, *Power: A Radical View.* (London: MacMillan, 1974).

[72]Van Evera, *Causes of War*, 13.

war-fighting capability possessed by a state, since without a baseline level of power war can not occur.[73] The baseline, however, is not fixed and it changes in relation to the location of the conflict, the geographic situation in which the conflict is occurring, and the technology available to the state. For example, a state, X, that possesses similar capabilities as another state, Y, may have inferior power to state Y in a conflict if the focal point of the dispute is centered close to Y and at a distance from X. The geography-politics relationship is dynamic however, and "technology, or anything else in the environment that affects ease of interaction (and thus also salience) is able to change the meaning of the geographical/geopolitical context or environment."[74] Thus, changes in capability, technology and alignments would weigh heavily in shaping the balancing potential of Moul's state among states. In a system of three relevant states that maintain a stable capability balance, a change in alignment potential could upset the possibility of balance and thus significantly alter the context of decisions. The invasion of Kuwait by Iraq, for example, was an invasion precisely because Kuwait lacked the necessary capability to resist the Iraqi advance. The invasion only became the Gulf War upon the intervention of the US.

The importance of power is also played out on the subjective dimension where it plays a role in the psychological willingness of decision makers to act on their perceived

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[73]Benjamin Most and Harvey Starr, *Inquiry, Logic and International Politics.* (Colombia: University of South Carolina Press, 1989): chp 2, 6.

[74]Harvey Starr, "Joining Political and Geographic Perspectives: Geopolitics and International Relations," *International Interactions.* vol. 17, (1991): 7.

foreign policy interests.[75] Increasing levels of power can lead decision maker to press their concerns in areas where previously they had little opportunity to do so. Since the environment plays an important role in shaping the structure of risks and opportunities that are available to decision makers, changes in objective capabilities can influence the willingness of a states decision makers to engage in conflict.[76] Changes that increase the interaction opportunities that are presented to a pair of states provides an environment where identities can be confirmed or changed based on the greater number of interactions that are occurring between them. Identity change, or confirmation, will then shape the interests pursued by a state, and changed interests could lead to greater willingness to resort to coercive actions. Doran's power cycle theory, the focus of the next section, offers a number of insights into the influence of power changes on the willingness of states to engage in conflict.

Power Cycles

Power cycles have a great deal in common with most of the other literature on parity, transitions, and shifts of power. However, they also present several compelling features that make them more convincing than other power theories and more appropriate for isolating structure-agency linkages. Like other power based theories, power cycle theory attempts to explain when, why, and how major wars will occur, and like other

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[75]Ibid., 151.

[76]Diehl, "Geography and War," 16.

theories it falls short in respects that could be remedied by incorporating a more explicit theory of agency.

The power of states tends to go through phases of growth and decline over relatively long periods, according to power cycle theory. What is important according to the theory are changes in relative power measured against the relevant nations in the system. The system most commonly used by Doran is the major power system, yet there is not any reason that the underlying logic of the transition phase of the power cycle cannot be applied to other sub-systems.[77] Doran posits that the ideal-type growth curve is s-shaped, rising slowly at first, accelerating in growth through the middle, and tapering again to its peak. The curve reverses in the decline phase, with decline proceeding slowly at first, then more rapidly until it slows again at the lower end of the curve. The shape of the curve then is similar to an inverted U.

We can interpret the power cycle curve as contributing to both the objective and subjective criteria of capability discussed earlier. Objectively, the growth of relative capabilities means that foreign policy options that were previously outside the feasible set of that country may now find a place within an expanded set. Accordingly, the state is

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[77]An argument in favor of using sub-systems for the analysis of power based theories is found in Lemke's multiple hierarchies approach, see Douglas Lemke, "Small States and War: An Expansion of Power Transition Theory," in *Parity and War: Evaluations and Extensions of the War Ledger.* (Ann Arbor: University of Michigan Press, 1996): 77-92; in a review of the power transition literature, Levy and DiCiccio suggest that Lemke's multiple hierarchies approach is valuable because it posits that small states that are dissatisfied with the regional status quo but content with the global system will be prone to conflict because of the same logic driving dissatisfied major powers. This argument can be applied to Doran's power cycle perspective as well, see Jonathan DiCiccio and Jack Levy, "Power Shifts and Problem Shifts: The Evolution of the Power Transition Research Program," *Journal of Conflict Resolution.* vol. 43, (December, 1999): 675-704.

offered greater opportunities to act in the foreign policy realm of the system in question while other nations who may still be undergoing absolute growth may move into decline phases with less foreign policy influence because of the emphasis on relative power. There are frequently lags in these transitions of role because rising states have not expanded their claims or because declining states have not adapted to a lesser role. These issues prove to be quite important and will be taken up in more depth shortly.

Doran notes that "power cycle theory examines the impact that changing state power has on the role and security outlook of the state and in turn, the impact of the changed role and security outlook on the stability of the state's foreign policy."[78] In power cycle theory there are four 'critical points' that play a fundamental explanatory role in linking the relative power cycle to conflict. The critical points, in fact, provide power cycle theory with a much stronger subjective dimension of power than found in most other power related explanations of conflict. There are four places of the curve of relative power that are deemed critical points: the two turning points, one at the bottom where capabilities first begin to rise, the second at the peak of the state's power just prior to decline; and, the two inflection points, which occur during the phases of rapid growth and decline on the sides of the curve.[79] At each point there is an inversion in the established trend of foreign policy role which impairs the ability of leaders to see continued order at the system level. Prior patterns of predictability and expectation come into question

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[78]Doran, "Power Cycle Theory of Systems Structure and Stability," 89.

[79]Doran, "War and the Cycle of Relative Power," 948-49.

because of inversions in role expectations. Critical points at the inflections and turning points represent discontinuities for state official's understanding of their foreign policy role in the system.[80] When a state reaches a critical point on the curve and inversion occurs, decision makers are faced with significant uncertainty and must grapple with issues of over-extension, interest-power gaps, and the possibility that past assumptions concerning the state's systemic (sub-systemic) role were wrong.[81]

The interest-power lag (role-power gap) contributes significantly to our understanding of the dynamics of the power cycle because it explains the dynamic balance that occur between achieved power and ascribed role. Throughout the power cycle curve there is an imbalance between the actual power of a state and the role that it is ascribed in the system. The imbalance, however, tends to move towards equilibrium as states come to accept changing roles over time. There are two primary conditions of imbalance that can occur between power and role. An *interest deficit* occurs when the state's power should correspond to a greater role than the system has ascribed.[82] The opposite condition, an *interest surplus*, occurs if the a state maintains an ascribed role that outstrips its achieved power; this condition is typical of the problem of over-extension in foreign

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[80]Charles Doran, "Why Forecasts Fail: The Limits and Potential of Forecasting in International Relations and Economics," in *Prospects for International Relations: Conjectures About the Next Millenium.* ed. David B. Bobrow, (Oxford: Blackwell Publishers Inc., 1999).

[81]Doran, "Power Cycle Theory of Systems Structure and Stability," 103.

[82]Doran, "Systems in Crisis," 37.

policy.[83] The relationship between interest surplus and interest deficit within a system is in many respects symbiotic. In a two state system, if the ascribed role of state A is greater than its share of the system's relative power because of state B's accelerating growth on the power cycle, it is the continued acceptance of state A of its old foreign policy role that locks state B in an interest deficit. In normal periods, the elasticity of the systems allows the necessary adjustments to happen and a convergence of role and power occurs.[84] Doran argues that the onset of a critical point leads to a decay in the elasticity of the power and role curves whose flexibility were responsible for the stability and security of the normal system.[85] The normal system is generally peaceful because the actions of a state to reach an equilibrium are usually positively reinforced by the system. When the system fails to respond positively towards state efforts to achieve equilibrium there is decreasing elasticity.

> Suppose that the structural circumstances underlying diplomatic conduct begin to harden. Governments compromise less willingly regarding high stakes matters. Alliances rigidify. Diplomats characterize such periods as "worsening atmosphere." This circumstance is reflected in the curves increasing "inelasticity" or steepness. For example, increased inelasticity of state A's achieved power curve means that movement away from equilibrium, either in the direction of an interest deficit or and interest surplus, automatically yields a more rapid increase in conflict probabilities.[86]

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[83]Ibid., 38.

[84]Ibid., 39.

[85]Ibid., 38.

[86]Ibid., 38.

If a condition of negative reinforcement arises in the critical period then the likelihood of conflict continues to rise because the rate at which the state's power approaches an equilibrium with its role is exceeded by the rate at which ascribed role of the state is changing in the same direction. The diverging gap creates "inverted force expectations" among decision makers who come to see the use of force as a means to remedy the imbalance.[87] The inversion of force expectations leads to the use of realpolitik practices which have been linked to the outbreak of conflict.[88]

Modifying and Combining: Power Cycles, Identity, Risk and the Likelihood of War

The main theme running throughout this chapter has been the importance of designing a process based theory with empirical underpinnings that emphasized linkages across the levels of agency and structure, thus avoiding the trap of reducing agency to structure - or structure to agency - for the purpose of the actual explanation. The first part of this chapter has argued for an explanation of conflict that involves linkages between ideational

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[87]Doran, "Systems in Crisis," 103; the role-power gap argument forwarded by Doran has many similarities with various status-inconsistency arguments. See, for example Michael Wallace, "Power, Status, and International War," *Journal of Peace Research.* vol. 8, (1971); and Michael Wallace, *War and Rank Among Nations.* (Toronto: Lexington Books, 1973).

[88]The argument that realpolitik practices lead to conflict rather than peace is presented by Vasquez, "The War Puzzle,"; empirical evidence suggesting the same can be found in, Russell J. Leng, "When Will They Ever Learn? Coercive Bargaining in Recurrent Crises," *Journal of Conflict Resolution.* vol. 27, (September, 1983): 379-419; Russell J. Leng, "Structure and Action in Militarized Disputes," in *New Directions in the Study of Foreign Policy.* eds. Charles F. Hermann, Charles W. Kegley Jr. and James N. Rosenau, (Boston: Allen & Unwin, 1987); Russell J. Leng, *Interstate Crisis Behavior, 1816-1980: Realism versus Reciprocity.* (Cambridge: Cambridge University Press, 1993).

structures and decision making. The mechanisms linking the two levels is the construction of the reference point, and consequently the impact of domain on risk-taking. It was argued that identities and issues play a central role at the level of ideational structure by defining the interests, and ultimately the importance of an issue in light of those interests. Issues are particularly important because they are the root cause of the friction that exists between states in a competitive relationship; but at the same time, the issue itself is not the threat, the danger, or the problem, it only becomes so through the process of identity construction.[89] When the issue is constructed centrally to the state's identity the reference point corresponding to that issue tends to be constructed at an aspiration level above the status quo. The current position at the status quo, therefore, is interpreted or framed as a loss from the aspiration level.

Prospect theory argues that when decision makers are in the domain of loss they tend to be risk-seeking, rather than risk-averse as they are in the domain of gain. Risk, the argument has gone, is an important factor in decision making because under identical circumstances, with similar choice options, a change in risk-orientation will lead to a different evaluation and calculus of choice. Risk, of course, can not explain all aspects of decision making; information search, option formulation and debate are all aspects of decision making that are not determined structurally. Risk only helps to determine choice among options in the feasible set and in this sense is of fundamental importance as a

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[89]See, Campbell, "Writing Security," 10-11.

linkage mechanism between structure and agency. McDermott makes an very interesting comment in this regard. The context of her comment is different because she is not expressly interested in the agent-structure problem, yet it is important nonetheless.

> Scholars and decision makers alike often argue that risk-taking is most closely correlated with the personality of the individual leader. While it may be easy to fall prey to the fundamental attribution error in analyzing risk-propensity, prospect theory cautions against such a tendency. Prospect theory demonstrates that the situation is more important to understanding the psychological mechanisms behind risk-taking than the personality of a particular leader. In the language of prospect theory, the situation is characterized as domain and categorized in terms of gains and losses.[90]

A few pages later, after discussing some of the difficulties associated with applications of individual psychological factors on decision making she writes:

> Prospect theory avoids this bias not by eliminating the leader from consideration but by reintroducing the impact of the situation, in the form of domain, on the decision maker's choices. An analyst need not know so much about the idiosyncracies of a particular leader in order to be able to predict and explain behavior on the basis of the situation confronting that leader. But an analyst need not eliminate the leader either, since a decision maker's framing of options, especially when evoking historical analogies, can be critical if the analyst is interested in examining framing for explanatory purposes.[91]

Clearly, prospect theory offers an excellent framework for attempting to flesh out some of the problematic levels-of-analysis problems that have tended to plague international

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[90]McDermott, "Risk-Taking in International Relations," 170.

[91]Ibid., 178.

relations theory.[92] McDermott's final comment referring to the use of historical analogies also demonstrates some of the other interesting interrelationships between the security imaginary and interests in the formations of options within the feasible set.

In any case, it has been proposed that there is an interesting dialogue to be developed between identities, interests and issues on one side and psychological theories of decision making such as prospect theory on the other. What has been ignored thus far is the role of material structures. Material structures, however, offer a possible explanation for the unanswered question: when and why do states go through dramatic reorientations of their identities? It will be argued, using some concepts from Doran's power cycle theory, that state with a grievance at the regional level undergoing changes in material capabilities may begin to revise its regional role expectations. This process is at its most dangerous when the issue is centrally constructed. It is at the level of material structure, therefore, that the answer of when and why identity reconstruction and reevaluation occurs can be found. In this section the linkages between critical points, identity, and risk will be drawn out, and how these factors contribute to a higher probability of war will be discussed.

Doran's approach to measuring state power includes indicators of its size (iron and

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[92]See for example, Kenneth Waltz, *Man, the State, and War: A Theoretical Analysis.* (New York: Colombia University Press, 1959); David J. Singer, "The Level-of-Analysis Problem in International Relations," in *The International System.* eds. Klaus Knorr and Sydney Verba, (Princeton: Princeton University Press, 1961); Martin Hollis and Steve Smith, *Explanating and Understanding International Relations.* (Oxford: Oxford University Press, 1990); Martin Hollis and Steve Smith, "Beware of Gurus: Structure and Action in International Relations," *Review of International Studies.* vol.17 (1991).

steel production, population, size of armed forces) and its development (energy use in the form of coal production, urbanization). His measures of power, therefore, are meant to be objective leaving him with clear indicators of relative power between nations. The measures, however, leave Doran with the twofold problem of linking objective measures of power to the perceptions of power on which decision makers act. On the one hand, there are problems with the measures of power on their own terms, but the more problematic aspect, on the other hand, is whether passing through a critical point on the objective scale actually translates into the expected changes through the perceptions of state officials. What is most important, then, is knowing whether decision makers perceive themselves to be in a period of uncertainty about their foreign policy role and whether they begin to reassess their past role in the process of looking for a new one. The notion that decision makers act on their subjective perceptions of power is advanced by numerous analysts who have pointed out that in the case of incongruity between the objective measures and the decision maker's subjective evaluation of power, decisions will be taken on the latter.[93] This being the case, adopting a perceptual approach to power and thus critical points is intuitively more satisfying when considering that the roles and interests that states construct for themselves are based on how they perceive the international environment and the state's place therein. Of course decision makers may be

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[93]Geoffrey Blainey, *The Causes of War*. (New York: The Free Press, 3rd ed., 1988): 114; Van Evera, "The Causes of War,"; Robert Jervis, "War and Misperception," *Journal of Interdisciplinary History*. (Spring, 1988); Jervis, "Perception and Misperception"; Jack Levy, "Misperception and the Causes of War: Theoretical Linkages and Analytical Problems," *World Politics*. vol. 36, (1983).

subject to wishful thinking or varying degrees of misperception rather than depicting accurately their relative power position within the system; what matters in either situation, however, is the perception. A further advantage of adopting a perceptual approach to power can be identified in the elements of power that an objective approach ignores, in particular the geographic, technological, and distance considerations that influence perceptual calculations of power. Doran does consider population and resource data in his power indicator, but as the Sprouts have correctly noted "such data acquire political relevance only when viewed in some frame of assumptions as to what is to be attempted, by whom, when and where, vis-a-vis what adversaries, allies, and unaligned onlookers."[94] Adopting a perceptual approach to power allows us to look at these more "strategic" calculations which influence a state's beliefs about its own capabilities and the capabilities of others.

Before outlining how the critical points will be defined from a perceptual framework, there are several variations to spell out regarding the relationship of critical points and conflict in a regional system. The assumption made here is that conflict in a regional system has different qualities than conflict over the leadership of the major power system. In the major power system critical points are assumed to induce challenges to the leadership of the system because leadership offers the possibility of systemic reorganization in favor of the dissatisfied state, should it prevail in a conflict. In a regional

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[94]The Sprouts quoted in Baldwin, "Power Analysis and World Politics," 172.

system, however, this argument is far less compelling since the major powers continue to exert influence over most regions, at least to the extent that they are likely to become involved in any conflict that threatens to disrupt a regional system in a way that harms their interests. The onset of a critical point, therefore, is not likely to lead to challenges of regional leadership because the payoffs of regional leadership are not as rewarding as the payoffs for leading the major power system.

Since the stakes are different in a regional system than in the major power system critical points can not be expected to lead to identical types of behaviour. One possibility that suggests itself as worthy of attention is the hypothesis that a critical point will lead decision makers to focus their attention on areas where unresolved issues persist. This seems plausible on two fronts: first, the changing role expectations of a state whose power is increasing will lead it to want to rectify what it sees as imbalances or grievances; second, judgemental heuristics suggest that outstanding grievances will be the most likely recipients of attention in a period of role/identity reconstruction catalyzed by the onset of a critical point. Unresolved issues are likely to be prioritized because of their vividness in the minds of officials. Jervis has argued that the "evoked set" represents matters of immediate concern to decision makers which influence the way that they interpret information concerning their environment.[95] The onset of a critical point, which to decision makers represents the realization that their acceptance of past foreign policy roles

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[95]Jervis, "Perception and Misperception," 203; Robert Jervis, "Hypotheses on Misperception," *World Politics.* vol. 20, (1968).

was wrong, means that in reconstructing foreign policy identities and interests, issues of concern found in the evoked set will receive significant attention. The heuristic of availability discussed by Kahneman and Tversky[96] suggests a similar tendency to focus attention on items that are readily available in official's cognitive belief systems. Unresolved issues will tend to feature prominently in the reconstruction of identity and role resulting from the social-interactive aspect of identity formation where the availability of the grievance will bias the interpretation of the other state's actions.[97] Similarly, Janice Stein notes that "Leaders tend to interpret threats in terms of what is easily available in the cognitive repertoire. Often what is most available are their own intentions, plans, and experiences and, consequently, they tend to perceive the actions of others in their light."[98] It is assumed, therefore, a rising state passing through a critical point will seek to address outstanding grievances rather than attempting to challenge the dominant nation in the sub-system, unless, of course, it is that nation with whom the state has an outstanding grievance.

A final assumption that is modified from power cycle theory is that Doran's emphasis on simultaneous critical points leading to major war in the system will be

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[96]Amos Tversky and Daniel Kahneman, "Judgement Under Uncertainty: Heuristics and Biases," in *Judgement Under Uncertainty: Heuristics and Biases.* eds. Daniel Kahneman, Paul Slovic, and Amos Tversky, (Cambridge: Cambridge University Press, 1982): 11.

[97]Campbell, "Writing Security," chp 1.

[98]Janice Gross Stein, "The Misperception of Threat," *International Conflict and Conflict Management: Readings in World Politics.* eds. Robert O. Matthews, Arthur G. Rubinoff, and Janice Gross Stein, (Scarborough: Prentice Hall, 1989), 33.

dropped. Doran has argued that prior to the First World War all of the states in the European system were passing through critical points which led to massive uncertainty and systemic transformation.[99] Since we are not interested in system transforming wars it will be argued that an aggrieved state (large role-power gap) whose power is increasing most rapidly relative to the other states is the most likely to initiate conflict. However, since the intent is to focus on situations where there is a higher probability of war rather than the more narrow concern of who will initiate war, there is another possibility that is triggered by the relative growth of an aggrieved state. The growth of a dissatisfied state can appear threatening to any state with whom the first has outstanding issue because the state's continued growth threatens to overturn the status quo on that issue. Since states are loss averse there is a motivation to take measures that will arrest the dissatisfied state's growth. A critical point aggravates this problem by inducing uncertainty about the intentions and future capabilities of both states. Jack Levy has argued that:

> The preventative motivation for war arises from the perception that one's military power and potential are declining relative to that of a rising adversary, and from the fear of the consequences of that decline. There is an apprehension that this decline will be accompanied by a weakening of one's bargaining position and a corresponding decline in the political, economic, cultural, and other benefits that one receives from the status quo.[100]

Therefore, the relative growth of an aggrieved state represents a threat to peace on two different counts: first through its own unilateral attempts to force reallocation of an

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[99]Doran, "Why Forecasts Fail," 28.

[100]Jack Levy, "Declining Power and the Preventative Motivation for War," *World Politics.* vol. 40 (1987): 87; also see Van Evera, "The Causes of War," chp. 3-4.

outstanding issue; and second, from the preventive motivation for conflict triggered by the relative growth of a dissatisfied state.

We are still left, however, with a problem that remains unresolved in Doran's work and which is only partially resolved here. Defining the occurrence of a critical point is problematic no matter what approach to power we adopt. With a perceptual approach to power a critical point is defined by the convergence of perceptions about one's own increasing power and the decreasing power of one's adversary. However, the effect of a critical point is exacerbated by a perceived imbalance in its role-power gap and mitigated by a balanced perception of role-power. An imbalance will lead a state to reconstruct an issue centrally to its identity, and the social construction of the issue within the state's identity will establish a new reference point for the issue. On the other hand, a balanced perception will induce a peripheral identity-issue construction where the particular issue will not become the primary theme of the relationship between the two states. In other words, the status quo will most likely be the outcome of a critical point if the state whose power is increasing is satisfied with its role in the system. Thus a dissatisfied state in a period of relative growth, which is passing through a critical point, will enter a process of identity reconstruction. However, in order for it consider initiating a conflict it must perceive its power to be relatively equal to, if not greater than, the power of the state with whom it seeks to reallocate the status of its grievance.[101] In other words, a dissatisfied

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[101]Douglas Lemke and Jacek Kugler, "The Evolution of the Power Transition Perspective," in *Parity and War: Evaluations and Extensions of the War Ledger.* (Ann Arbor: University of Michigan Press, 1996):29; also see Blainey, "The Causes of War," 108-124. Blainey argues that war is most likely

state will not attempt to achieve reallocation of an issue if the power differential suggests it is sure to lose.

The connection between structure and the use of force proposed here is slightly different than Doran's hypothesized linkage. Doran argues that inverted force expectations are simply a product of the uncertainty created by the critical point. In light of the fact that it fails to specify any compelling reason to believe that such an inversion will take place this approach seems strained. The mechanism postulated here is that the critical point and its attendant role-uncertainty opens the door for states to reconstruct key issues, the social identities they attribute to other states in the system, and, through the security imaginary, their own corporate identity. At the onset of the critical point the size of the power-role gap determines which of two paths a conflict relationship will follow. (1) a small power-role gap indicates that a state will be satisfied with its position and will not feel compelled to attempt potentially threatening adjustments. The rivalry relationship will continue without significant change because equilibrium of power and role can be reached or maintained with only minor, non-aggressive, adjustments. (2) When there is a large power-role imbalance the state will be frustrated and looking to redress the imbalance. The onset of uncertainty accompanying a critical point opens the door for a role reevaluation and new foreign policy orientation. When a state is dissatisfied then, it will construct the issue at the core of its identity, and collapse other cross-cutting stakes

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to occur when states disagree on their relative bargaining power, and they most often disagree when power is distributed evenly.

into this primary issue. Moreover, issues will be defined in accordance with the level of role aspiration that the state expected prior to the onset of the critical point, and unsettled issues, therefore, will be defined at an aspiration level suitable for the aspired role rather than at the current status quo. The consequence as we laid out earlier, of course, is that the decision makers will be in the domain of loss and will be risk-seeking in their actions to close the gap between actuality and aspirations.

Having now laid out the theoretical framework linking material structures, ideational structures, and decision making we can now turn to a case study in order to collect some preliminary evidence concerning the strengths and weakness of the theoretical formulation. The framework will be used as a lens through which to examine the Falkland/Malvinas war between Argentina and Britain in 1982, and the fit between the theory and the case will be assessed as best possible looking at each of the linkages sketched out in this chapter.

Chapter Three
Structure and Choice in the South Atlantic: Capabilities, Identities, and Decisions

Having explained the theoretical approach in the last chapter, this chapter outlines a single case study which will empirically "test" the validity of the approach. The use of only a single case may limit the conclusions that can be drawn about the strength of the theory, but it should, nevertheless, provide some preliminary evidence for or against the argument outlined in the last chapter. The conflict between Britain and Argentina over the Falkland/Malvinas Islands, which led the two countries to war in 1982, will be the case under consideration. The case material is drawn primarily from secondary source material that has accumulated since the war. The chapter will proceed through several sections, each focusing on a particular aspect of the theory. At the beginning of each section the expectations from the theory will be laid out so that the level of congruence between the expectations and the case material can be examined.[1]

The first section will examine several hypotheses concerning the relationship between critical points and perceptions of role and identity change. The second section will look for evidence of linkages between role and identity change and the domains (loss or gain) in which decision makers are operating. Domain analysis will be examined further in the third section, and the options chosen and discarded will then be judged for their fit with the expectations based on domain. The final section will draw out some conclusions

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[1]The general approach follows the discussion of case methods found in Stephen Van Evera, *A Guide to Methods for Students of Political Science.* (Ithaca: Cornell University Press, 1997).

from both the theory and case study. Before turning to an evaluation and application of the theory, however, a brief background to the dispute will be outlined.

Background

The British-Argentine dispute concerning the status of the Falkland/Malvinas Islands[2] can be traced back to 1833 when the British expelled a small Argentine community from the Islands.[3] Argentine officials have, since that time, maintained that the seizure of the Islands was an illegal and hostile act on the part of Britain. Argentine claims to the sovereignty of the Islands were regularly lodged against the British occupation and settlement of the Islands, yet British intransigence precluded discussion or negotiation concerning the Islands' status. As a result, settlement was not possible. Substantive discussion of the sovereignty of the Malvinas did not occur until the mid 1960s when the issue of sovereignty was internationalized through its articulation in the United Nations General Assembly.[4] In 1964, Jose Ruda, the Argentine ambassador to the UN, argued the Argentine case, stating that:

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[2]The name given to the Islands according to Britain is the Falkland Islands, while the Argentineans refer to the same group of Islands as the Malvinas. Throughout the chapter both names will be used in discussions of the Islands.

[3]The sovereignty dispute actually extends much further back and involves competing claims from Spain, France, Britain, and Argentina. In its current manifestation, however, the dispute between Argentina and Britain begins in 1833.

[4]Ruben Moro, *The History of the South Atlantic Conflict: The War for the Malvinas.* (New York: Praeger, 1989), 3.

> We reaffirm the irrenounceable rights of the Argentine Republic to the Malvinas Islands. The Malvinas are a part of the territory of Argentina. Illegally occupied by Great Britain since 1833, following upon an act of force which deprived our country of the possession of the Archipelago...Britain's moral and legal duty is to restore them to their true owner.[5]

Argentina's argument that sovereignty should be based on historical territorial claims is disputed by British officials who believe that the issue is one of self-determination.

The British interpretation of events differs from that of the Argentines. They argue that the Islands were not taken by force and that the transfer of territorial claim to the Islands, from Spain to Argentina, are unjustified. Accordingly, the British government claims that the continuity of the British settlement entitles the Islanders to the right to determine their own future on the Islands. If the Islanders choose to remain British it should be their prerogative, according to the British perspective.[6] In his 1964 speech before the UN, Ruda responded to the British argument for self-determination, claiming:

> The Malvinas are in a different situation from that of the classic colonial case. *De facto* and *de jure*, they belonged to the Argentine Republic in 1833 and were governed by Argentine authorities and occupied by Argentine Settlers... They were evicted by violence...and replaced by a colonial administration and a population of British origin... The population is basically a temporary population... and cannot be

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[5]Jose Ruda quoted in, Peter Beck, *The Falkland Islands as an International Problem.* (London: Routledge, 1988), 61.

[6]Houchang Esfandiar Chehabi, "Self-Determination, Territorial Integrity, and the Falkland Islands," *Political Science Quarterly.* vol. 100, (Summer, 1985): 215-225; Peter Beck, "The Anglo-Argentine Dispute Over Title to the Falkland Islands: Changing British Perceptions on Sovereignty since 1910," *Millennium: Journal of International Studies.* vol. 12, (1982): 6-23.

used by the colonial power in order to apply the principle of self-determination.[7]

Although neither of these positions were clearly dominant, inside the UN there seemed to be greater support for Argentina's position. This was evidenced by the UN's motion for the British government to submit to a series of negotiations concerning the sovereignty of the Islands. At the time, as Peter Beck has pointed out, the legal status of the historical-territorial claims favored Argentina, while the British position was bolstered by its upper hand on the claims of continuity and self-determination.[8]

Critical Points - Role and Identity Change

The argument presented at the end of the last chapter concerning the impact of critical points suggests that perceived capability change will lead to periods of uncertainty in which states will redefine their position vis-a-vis a salient but unresolved issue. Moreover, the subsequent period of reconstruction will occur under two conditions: (1) in a situation where a state with growing capability believed that there was an imbalance between its subsystem role and its capabilities; and (2) where there is a perceived level of capability parity, based on consideration of military strength, technology, and geography.

The onset of a critical point, therefore, should correspond with feelings of uncertainty among officials about the foreign policy role of the state. Consequently, there

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[7]Jose Ruda quoted in Peter Beck, *The Falkland Islands*, 71.

[8]Beck, *The Falkland Islands*, 80.

should be evidence to suggest that state officials are questioning past foreign policy practices and decisions. The theory also implies that officials will begin reconstructing state identities, and the interests that correspond to those identities. The primary hypothesis, then, suggests that the presence of a period of role uncertainty, given the role-power and parity conditions, should lead state officials, in the case of a state with increasing capabilities, to define its identity through the lens of the unresolved issue between the two states. The issue will become a primary concern of the state's officials because it will be constructed as a central part of the state's identity, and subsequent foreign and security policy choices will be taken with this issue in mind. In other words, the identity relationship between the two countries will in large part be determined by the positions taken on the outstanding issue. More importantly, interests or preferences which form the feasible set of foreign policy options will be formed via the changing identity.

In the case of a state in decline that is passing through a critical point, there should be evidence to suggest that its decreasing capabilities, both economic and military, have led to uncertainty about its past foreign policy role. The theory suggests that a state in decline has an interest surplus such that it will be overextended in foreign policy. However, the state will continue to struggle to maintain its waning influence. The declining state, therefore, will seek as much as possible to maintain its influence, but will seek to unburden itself of some of the commitments that have previously accompanied the interests defined by the state's identity. Supporting evidence would suggest that in the period following a critical point, officials would likely disagree over how to establish a

foreign policy role that maintains a comparable level of influence and yet reduces the number of expensive international commitments.

Identifying the impact of a critical point on the foreign policy outlook of Argentina, based solely on change in relative power, is not straightforward enough to provide unambiguous support for the theory. There are, however, several reasons to believe that there was a marked turning point in Argentina's foreign policy outlook in the mid 1960s. The first important change that occurred in the mid 1960s was the emergence of the "doctrine of national security." This doctrine represented a transformation toward a focus on greater independence and self-sufficiency. The period saw the emergence of a new form of military rule that promoted economic growth and modernization, sharper interstate competition, and an emphasis on self-dependant security.[9] These new military regimes placed significant emphasis on quelling internal cleavages through the military domination of most aspects of social life. With the assistance of civilian specialists, the military strove to propel modernization throughout the country.[10] The emphasis on modernization and development throughout this period was also used to overcome and suppress the influence of party politics in Argentina which was strongly divided along

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[9]Gerald W. Hopple, "Intelligence and Warning: Implications and Lessons of the Falkland Islands War," *World Politics.* vol. 36, (1984): 353.

[10]Wolf Grabendorff, "Interstate Conflict Behavior and Regional Potential for Conflict in Latin America," *Journal of Interamerican Studies and World Affairs.* vol. 24, (August, 1982):275-280.

ideological lines.[11] The military's justification for its strong infringement on Argentine social life, and for entrenching itself beyond the typical short term guardianship, was that political instability and ideological cleavages were the cause of Argentina's economic and social woes. Entrenched military rule and the stability it was to provide was, in the eyes of the military, what was needed to remedy these problems.[12]

The doctrine of national security, although originally internally oriented, also had a relatively strong external manifestation. Grabendorff argues that the transition to the doctrine of national security increased the willingness of Argentina and other Latin American states to engage themselves in issues beyond their borders. He writes, "with the internal stabilization of these governments on the basis of the Doctrine of National Security established during the past several years, some of these states began to concentrate on external tasks and became more interested in regional and international problems."[13] The external orientation was, in the wake of internal stabilization policies, a search for greater legitimacy by the military leadership. Although the drive for modernization was successful to some extent, the problem of legitimacy was never fully resolved. Accordingly, Grabendorff argues, resource accumulation and access to external markets became domestic legitimization mechanisms for the military regime. These

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[11]Guillermo Makin, "The Military in Argentine Politics: 1880-1982," *Millennium: Journal of International Studies.* vol. 12 (1983): 56.

[12]Makin, "The Military," 60.

[13]Grabendorff, "Interstate Conflict," 277.

ventures, and the policy orientation in general, induced greater interstate friction because of the new, more assertive roles states were seeking to adopt. Veronica Ward argues, similarly, that the Argentine emphasis on geopolitical considerations led officials to believe that territory and resources were essential to the survival of the state.[14]

The second factor that points to the mid-1960s as critical point in Argentine foreign policy is the revival of the Malvinas issue, this time at the international level. This change stems partly from the changes associated with the doctrine of national security, but it is also significant in the sense that the issue received recognition beyond the borders of the Anglo-Argentine bilateral conflict. Once in the international arena, both countries, but in particular Argentina, received support for their position from other states. The international recognition of Argentine claims to the Islands, and the international platform that the UN provided, added to Argentine assertiveness over the need to negotiate sovereignty. The internationalization of the issue that accompanied UN resolution 2065 compelled the two sides to come to the negotiation table for the first round of serious negotiations since the Islands became British in 1833.[15]

The final factor which is related to the internationalization of the Malvinas issue is the rise of symbolism and national sentiment relating to the Islands. The mid-1960s saw the inauguration of "Malvinas Day," as well as symbolic protests such as the dropping of

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[14]Veronica Ward, "Regime Norms as 'Implicit' Third Parties: Explaining the Anglo-Argentine Relationship," *Review of International Studies.* vol. 17, (1991): 183; Also see Beck, *The Falkland Islands*, 72.

[15]Beck, *The Falkland Islands*, 97.

Argentine flags over the Stanley racecourse in protest of the Islands' occupation,[16] and the infamous Operation Condor which saw an Argentine airliner hijacked and rerouted to Stanley by a group of twenty young men associated with the New Argentina Movement.[17] The symbolism, however, was also beginning to acquire a more concrete manifestation in the state's foreign policy. The effects of the doctrine of national security were reinforced by the attitudes of Nicanor Costa Mendez, the new Foreign Minister, who believed that Argentina's outstanding territorial claims with Britain and Chile could be used as a means for strengthening the emerging Argentine nationalism and identity.[18] Costa Mendez was a right-wing nationalist whose anticommunist inclinations were well known. His avid nationalism committed him to the resolution of the Malvinas issue and contributed significantly to reorienting Argentina's foreign policy role.[19] The influence of state officials in shaping national identity is in keeping with the understanding of the doctrine of national security which emphasized that the "military...are the true and only valid interpreters of national interests."[20]

Turning to the British situation, there is significant evidence to suggest that British

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[16]Ibid., 96.

[17]Max Hastings and Simon Jenkins, *The Battle for the Falklands*. (New York: W.W. Norton and Company, 1983), 17-18.

[18]Hastings and Jenkins, *The Battle*, 17.

[19]See David Lewis Feldman, "The United States Role in the Malvinas Crisis, 1982: Misguidance and Misperception in Argentina's Decision to Go to War," *Journal of Interamerican Studies and World Affairs*. vol.27, (1985): 4.

[20]Makin, "The Military," 60.

officials' perceptions of their own identity and role were in a period of extended uncertainty, which began with their foreign policy disaster in the Suez. The British case, in fact, holds quite tightly with the expectations from the theory. There were clearly sustained levels of disagreement regarding the future of British foreign policy, and a questioning of past foreign policy practices following Suez. There were also signs of an impending decrease in Britain's relative influence in the South Atlantic subsystem, indicating the problem of overextension facing British decision makers at the time. The desire to maintain influence while reducing commitments contributed to ambiguous foreign policy practices throughout the two decades following the Suez debacle. The theme of influence without commitments seems to have been a significant factor in the mixed signals originating from British foreign policy actions in the decade leading up to the Falklands War.

British decline began following the Second World War. The decline, however, was neither rapid nor immediate. Britain, as Paul Sharp points out, emerged less scathed from the war than the continental states, and with considerable reserves of strength intact it continued to be treated by the U.S. and the U.S.S.R. as one of the three dominant, major powers.[21] Between 1945 and 1979, however, Britain's share of the world's trade, shipping, GDP, and overseas investment were significantly reduced, and its ability to maintain a military machine capable of matching its desired foreign policy role became

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[21]Paul Sharp, *Thatcher's Diplomacy: The Revival of British Foreign Policy*. (New York: St. Martin's Press, 1997), 7.

impossible.[22] Despite the growing gap between its interests and its power (an interest surplus), Britain attempted to preserve its reputation as a great power fearing that a lost reputation could never be recovered.[23] Working from this position, post-war foreign policy was designed maintain Britain's pre-war "major power" status.

This approach lead to three incidents that produced uncertainty among British officials about the future direction of their foreign policy. The 1956 attempt to recapture control and access to the Suez Canal, following its nationalization by the Egyptian government, exposed the British government of Anthony Eden to the fact of its decline. Eisenhower's decision to not support the British- French- Israeli initiative to reclaim the canal effectively undercut its success and forced Britain to confront the fact that its major power independence was continuing to erode.[24]

The second incident that confronted foreign policy makers in Britain was the European issue, and in particular, the inconsistencies of British policy concerning integration into the European Economic Community and its attempts to maintain its preferential trade relations with other commonwealth nations. Sharp writes:

> Had Britain joined at the start, it might have effectively influenced the subsequent development of the Community. Had it determined to stay out, it might eventually

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[22]See, Sharp, *Thatcher's Diplomacy,* 1.

[23]Ibid., 7.

[24]Ibid., 11; also, Rose McDermott, *Risk-Taking in International Relations: Prospect Theory in American Foreign Policy.* (Ann Arbor: University of Michigan Press, 1998).

> have secured the market access it required by arrangements short of full membership. By refusing to join, changing its mind and exposing the country to rejection, however, the Macmillan government effectively consigned British foreign policy to limbo for the next twelve years.[25]

Again, despite its attempts, Britain was unable to assert itself as a dominant player in its relations with continental Europe. The European nations were unwilling to accept a privileged position for Britain within the Community, and this delayed British entry to the EEC until 1973.

The final incident that reflected the divergence between interests and commitments was the decision to withdraw from Africa. By late-1964 virtually all British imperial possessions in Asia and Africa were either independent or in the process of becoming so.[26] Macmillan's government struggled internally, and with its domestic opposition in parliament, to adopt a foreign policy that recognized that attempting to act as a great power, when one was not, could only lead to problems.[27]

By the mid-1960s Britain had in large part lost its sense of identity. Seeking to retain the influence and reputation of their country, foreign policy makers shuffled between actions suited to an identity as a hegemonic power who continued to wield influence throughout the international system, and those actions associated with "middle

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[25]Sharp, *Thatcher's Diplomacy*, 14.

[26]Hastings and Jenkins, *The Battle*, 9.

[27]Sharp, *Thatcher's Diplomacy,* 13.

power humility."[28] It was in this context that the re-emergence of Argentine claims to the Malvinas were interpreted. In the decade preceding the war, numerous events occurred between the two countries to suggest that identities and roles were undergoing both corporate and social transformations and that these identities helped to define the interests and preferences of the two states.

It appears, therefore, that there is some evidence to suggest that the early to mid 1960s was a period of role uncertainty for both Argentine and British officials. Argentina's economic growth and semblance of stability during this period suggests that there was a questioning of past regional roles and foreign policy practices. The same is true for British officials who were increasingly uncertain about whether their past foreign policy practices were currently relevant. The evidence suggests that British policy makers believed that their foreign policy role should be restricted to match Britain's decline from world leadership. Accordingly, perceptions of growing material capabilities led to uncertainty and greater expectations in the case of Argentina, while perceived decline in Britain also led to a period of role reevaluation. These patterns are both generally consistent with the theoretical expectation that changes in perceived power would lead to role uncertainty.

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[28]Ibid., 20.

Identity and Roles

This section of the chapter explores the hypotheses concerning changing roles and identities and their effect on the interests and aspirations of rival states. Chapter two suggested that states in a rivalry could enter periods of intensification characterized by a socially constructed identity based on the symbolic attributes of the issue at stake. The centralization of the issue to the state's identity, then, becomes tied to, and transcends the identity of the state. In other words, important parts of the state's identity are defined in relation to the issue at hand and the aspiration levels associated with that issue. Changes in identity, the theory suggests, are related to the periods of role change that accompany critical points in state's perceived capabilities. When a country's role is uncertain, decision makers are expected to focus on rectifying outstanding grievances within the subsystem in order to confirm their expanded position among their peers. In this way, the actions are seen to be reproducing and reinforcing the changes in identity and role. As the identity and roles become established so too do the interests or preferences that shape the options of the feasible set.

When looking closely at the development of the relationship between Argentina and Britain there is some evidence to suggest that identities and roles were changing throughout the decade leading up to the war, and that the interests of state officials were undergoing a corresponding change. The structural uncertainty in the region that occurs following the onset of a critical point leaves room for states to expand or contract their roles. The roles themselves offer a structural (social) dimension to identity formation,

while the corporate aspect is constructed domestically to reinforce or contract the identity space provided by structural uncertainty.[29] In this sense, then, the state's identity is mutually constituted by agents and structures, and reflects how changes in material capabilities can create space for role and identity reconstruction within a subsystem. Evidence supporting the theory, therefore, would indicate that Argentina perceived an opportunity to expand its regional role by filling the gap left by changing British and American attitudes toward the region. If, however, there seems to be little change in Argentine and British regional attitudes, and, if there is little to suggest that the symbolism and importance of the issue have changed, then this would count against the theory.

The evidence in this respect seems to offer reasonable, but not necessarily overwhelming, support for the theory. As we discussed in the last section, both countries entered periods of transition in the early to mid 1960s where perceived changes in relative power led the states to question their past and future foreign policy roles. There were, accordingly, a series of incidents - and signals - between Britain and Argentina that left a perceived vacuum of changing regional roles into which Argentina waded. The search for influence and reputation without foreign policy commitments underlying Britain's foreign policy throughout the 1960s and 1970s, played a significant part in shaping the way that Argentina thought about its regional position, its role, and its interests with regard to the

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[29]This is similar to the proposition suggested by Louis Belanger and Gordon Mace who argue that middle powers use symbolism and modes of intervention that resonate at the domestic level to reproduce their middle power status at the regional level. See, Louis Belanger and Gordon Mace, "Middle Powers and Regionalism in the Americas: The Cases of Argentina and Mexico," in *Niche Diplomacy: Middle Powers After the Cold War.* ed Andrew F. Cooper, (New York: MacMillan Press Ltd., 1997): 170.

Malvinas.

British overextension in foreign policy was also receiving mixed signals domestically. On the one hand, budgetary pressure and inter-departmentalism created pressure to reduce spending on foreign commitments, and on the means of maintaining those commitments. On the other hand, an influential Falkland Islands' pressure group, supported by the Falkland Islands' Company - owner of most land and commercial ventures on the Islands - had created significant opposition to any policies that might be interpreted as leading to decreased commitment to the Islanders (who wanted to remain British). The interest-surplus of the British, therefore, was in conflict with the developing interest-deficit of the Argentineans. Hastings and Jenkins note that "the Falklands had long been sheltered under the umbrella of imperial defence. As that umbrella was removed, they became increasingly exposed, dependent not on real military power but on the memory of it. They were protected by a form of historical bluff."[30]

Following the early claims at the UN that led to the revival of Argentina's demands for sovereignty over the Malvinas, a memorandum of understanding predicated on the idea that the transfer of sovereignty would be forthcoming was secretly written between British and Argentine officials. The only condition attached was that the freedom and standard of living of the Islanders could be maintained.[31] The Argentinean officials, of course, were only too happy to make such concessions. Accordingly, the Argentine government

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[30]Hastings and Jenkins, *The Battle*, 9.

[31]Ibid., 17.

believed that transfer of the Islands' sovereignty was only a matter of time, and the continuing development of the Argentine state should only accelerate the transfer. Thus, in 1966 when British Foreign Secretary Michael Stewart visited Argentina the Falkland issue remained a relatively low priority. According to the Times insight team, "the Argentinean government did raise the issue of the Falklands, but with no great force - an impression confirmed by Britain's ambassador to Buenos Aires at the time, Sir Michael Creswell, who found that Argentinian corned beef was a matter of far greater moment."[32]

During the late-1960s, therefore, the Argentine government continued to cope primarily with policies aimed at economic growth and internal stabilization while pursuing a negotiated settlement to the Falklands. This direction was in part a function of the doctrine of national security; it was also, however, a function of the belief throughout Argentina that its "growth" was natural and inevitable, and would ultimately lead to the return of the Malvinas to Argentina.[33] It appeared at the time that this belief was not entirely unfounded: General Ongania's new regime managed to withstand the pressure from organized labour in order to implement a new economic strategy aimed at modernization and reduced dependence on the rural sector. By 1970 the economy seemed to be moving in a new direction and Argentina became the fourth largest producer in the Americas, although, it still faced the problems of insufficient capital investment, and levels

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[32]The Sunday Times Insight Team, *The Falklands War: The Full Story.* (London: Sphere, 1982), 45.

[33]Makin, "The Military," 62.

of consumption were outstripping production.[34]

In the early 1970s Argentina continued to believe that the transfer of sovereignty was inevitable, and British actions during the period only served to entrench this view among Argentine officials. One could speculate that Argentinean decision makers, acting under the belief that the transfer of sovereignty loomed in the foreseeable future, were encouraged to enhance the symbolism attached to the Malvinas to further the nascent nationalist sentiment that accompanied the optimism concerning Argentina's development potential. In other words, there was no harm in raising expectations because sovereignty was assumed to be around the corner. British foreign policy actions did not help this situation; their actions only heightened the symbolism of Islands and further confirmed the assumption that sovereignty was forthcoming.

One of the most important early events confirming the Argentine view that British commitment and interests in the region had weakened was the 1971 communications agreement. The agreement was intended to support the British "hearts and minds" campaign designed to demonstrate to the Islanders that the transfer of sovereignty to Argentina was in their interests.[35] David Scott, the undersecretary of dependant territories, who was in charge of the negotiations - himself a symbol of the low priority attached to the Falkland's status by Britain - described the approach as "rape of the Falklands, no;

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[34]H.S Ferns, *The Argentine Republic 1516-1971.* (New York: Barnes and Noble, 1973), 171-173.

[35]Beck, *The Falklands*, 112.

seduction by all means."[36] Argentina was given the right to establish maritime and air communications with the Islands in order to promote tourism and trade with the mainland. The agreement facilitated travel, provided access to Argentine schools for the Islanders, and allowed Argentina to construct a full length runway near Stanley using equipment provided by Britain.[37]

A related agreement, signed in 1974, allowed petroleum products to be sold on the Islands by the Argentine national oil company (YFP). By 1974 virtually all supplies coming to the Islands and all travel from the Islands were controlled by the Argentine authorities. The British also conceded at this time a unilateral Argentine move to impose immigration controls on all flights between the Islands and the mainland. Islanders were issued passports that labeled them Argentine citizens of the Malvinas, thus eliminating the "white cards" issue through the original agreement.[38] Hastings and Jenkins write: "by conceding this measure - and with no new British sea link in sight there was no option - Britain granted Buenos Aires effective Passport control over the Islanders. It was a major advance in Argentina's fight for sovereignty."[39] Throughout the early-mid 1970s the situation continued in much the same pattern: the Argentineans believed sovereignty to be

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[36]David Scott quoted in Hastings and Jenkins, *The Battle*, 23.

[37]Moro, *The History*, 4; Beck, *The Falklands,* 111; "Falkland Islands: The Origins of a War," *The Economist*, (June 19, 1982): 36.

[38]Hastings and Jenkins, *The Battle*, 28.

[39]Ibid., 28.

just around the corner, and the British distanced themselves from fully supporting the Islands. Chehabi argues that:

> As the Falkland Island Company continued repatriating very handsome profits to Britain, the Islands' economy stagnated and the population steadily diminished. Successive British Governments let the colony's infrastructure deteriorate so as to habituate the population to the idea that they were dependent on Argentina, which became gradually more active in supplying essential services to the Islanders.[40]

The "hearts and minds" approach, however, was coming under increasing stress domestically in Britain. The effect of the domestic disillusionment was to reorienting British official's commitment to the Islands without forcing them to recognize the continuing decay in the means of sustaining the commitment, hence the pressures were working at crosscurrents. The general trend emphasizing the desire to reduce overseas spending was working against the pressure for a stronger, clearer, commitment to the Islanders. Moreover, the 1976 Shackleton Report, examining the social and economic potential of the Islands, suggested that there was little be gained without the cooperation of Argentina. In terms of tangible interests, therefore, there was little to be gained economically from the Islands.

Under the "hearts and minds" approach British officials sought to act in the "interests" of the Islanders. Through the transformation of domestic pressure during the early and mid-1970s, however, the guiding principle changed from the "interests" of the

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[40]Chehabi, "Self-Determination," 220.

Islanders to their "wishes."[41] The end result was that the Islanders were essentially given an implicit veto on any negotiations concerning the Islands' sovereignty. According to Sharp,

> The only major constraints upon British preferences...were the wishes of the majority of the local inhabitants. Any final arrangement had to be acceptable to them or all bets were off. The problem with this approach, however, was that it could create a situation in which the British promised one party that there would be no change in its condition without its consent, while they encouraged another to believe that such a change was possible.[42]

In the early and mid-1970s the negotiations between Argentina and Britain began to falter. After a hopeful moment in 1978-79 negotiations stalled and deadlock set in by the end of the decade. The accompanying change in Argentine optimism about the likelihood of transfer, combined with Britain's inability to negotiate sovereignty began to galvanize the Argentine position. The ongoing signals emanating from Britain implied a reduced commitment to the South Atlantic region in the eyes of Argentine officials.

Toward the end of the decade, and into the early 1980s, several incidents confirmed the Argentinean leader's beliefs about British unwillingness to defend the Malvinas. In October 1976, for example, following a notice of the scheduled retirement of the British ship HMS Endurance from service in the South Atlantic, the new military regime in Argentina established a small "scientific" station, without British permission, on

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[41]The Insight Team, *The Falklands War*, 47; also see Beck, *The Falklands,* 104.

[42]Sharp, *Thatcher's Diplomacy*, 56.

Southern Thule a small island among the South Sandwich group. As with the 1976 case involving the warning shots fired across the bow of the Endurance while it guided Shackleton's exploratory expedition, Britain offered no response to the encroachment of the Argentine navy on British sovereignty.[43] In fact, even though the British Foreign Office was aware of the Argentine scientists, they did not inform the government of the incident. Parliament was not even informed of the camp on Southern Thule when the Foreign Office became aware in 1977 of a military buildup in southern Argentina that led the British to suspect that a second camp was planned for another island in the region. In this instance, a submarine and frigate were dispatched to the region to limit further Argentine actions. The expected situation never materialized, however, and Argentine officials were never made aware of the British military presence thereby diminishing any potential deterrent effect.[44] The potential threat experienced by the British had the effect of prolonging the service of the Endurance in the region. More importantly, however, the threat made British policy makers wary of expensive military responses to "low-level" incidents.[45]

The life of the Endurance's patrol in the South Atlantic was to be short lived, however. In 1981, Defence Minster John Nott again planned to withdraw the aging vessel from service. Two other vessels, essential for maintaining a strong presence in the South

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[43]Hastings and Jenkins, *The Battle,* 32.

[44]Hastings and Jenkins, *The Battle,* 36.

[45]Ibid., 36-37.

Atlantic were also on the chopping bloc. The Invincible and Hermes, Britain's two aircraft carriers, were to be sold to Australia within the year, and plans to replace them had been scrapped.[46] Without these vessels the possibility of defending the Islands from invasion dropped to virtually zero. Argentina, aware of these plans, interpreted the actions as a continuing trend in British policy toward the region.

Although the regional dynamics of the Anglo-Argentine relationship is the most important factor in encouraging a more assertive Argentine role in the South Atlantic, two other related events amplified the Argentine commitment: the changing nature of the United States relationship with Argentina beginning in 1980; and Argentina's dissatisfaction with the status of the conflict with Chile over the Beagle Islands. The ongoing conflict over the Beagle Islands influenced the outlook of policy makers toward the need to resolve the Malvinas issue. According to Beck, "during 1977 a perceived hardening of the Argentine attitude was attributed in part to setbacks in Argentine policy regarding the Beagle Channel and River Plate Basin questions. There was further diplomatic pressure upon Britain to expedite talks, and Bulgarian and Soviet vessels were arrested for fishing in 'Argentine waters' around the Falklands (September-October 1977)."[47] The arrest of these vessels in disputed waters indicates a growing level of confidence on the part of the Argentine leadership, as well as a desire to demonstrate or

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[46]T.V Paul, "Nuclear Taboo and War Initiation in Regional Conflicts," *Journal of Conflict Resolution.* vol. 39, (December, 1995):710; Lawrence Freedman, "The War of the Falkland Islands, 1982," *Foreign Affairs.* vol. 61, (Fall, 1982): 198; also see Hopple, "Intelligence and Warning," 351-352.

[47]Beck, *The Falklands*, 118.

assert their regional authority. Argentine assertiveness in its regional role was bolstered throughout the mid-1970s by the continued UN pressure on Britain to negotiate, and by the declarations of support (Lima 1975; Colombia 1976; Havana 1978) from the Non-Aligned Movement in favor of Argentina's cause.[48] Throughout the late 1970s and early 1980s Argentina's role in the South Atlantic became increasingly tied to the Falklands' issue.[49] A brief period in 1978-79 raised the hopes of a transfer based on the efforts of British junior foreign office minister, Nicholas Ridley. Ridley's leaseback proposal was the first serious consideration of the sovereignty issue since the original efforts of Michael Stewart and Nicanor Costa Mendez in 1966-68. Based on pressure from the Falkland Islands' lobby in Britain, the plan was quickly abandoned.

The transition from the Carter to Reagan administrations in the United States also had a substantial impact on Argentine foreign policy. Carter's emphasis on human rights issues kept the junta at arm's length from the Americans. The "dirty war" of the mid-to-late 1970s placed Argentina on Carter's list of human rights abusers thereby straining the ties between the two states. The ideological and strategic orientation of Reagan's foreign policy, however, made Argentina a promising partner rather than a pariah; by creating a distinction between "totalitarian" and "authoritarian" regimes Reagan's administration was

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[48]Ibid., 97.

[49]Lawrence Freedman and Virginia Gamba-Stonhouse, *Signals of War: The Falklands Conflict of 1982.* (Boston: Faber and Faber, 1990), 4.

able to side-step Carter's human rights concerns.[50] Reagan, seeking an anticommunist alliance throughout the Americas, turned to the Argentine junta who had demonstrated its own anticommunist inclinations through its involvement in preventing the rise of left-wing politics in Bolivia.[51]

Even before General Leopoldo Galtieri succeeded General Viola for the Presidency, he was being courted by the Reagan administration. Starting in early 1981, Galtieri received a series of visits in Buenos Aires from a number of high ranking US state officials. On several occasions he also traveled to the United States and met with a number of top officials including US Vice President George Bush.[52] Galtieri quickly became "Washington's man" and began to position himself strategically so as to take power from Viola.[53] Galtieri's long time friend Admiral Jorge Isaac Anaya, commander-in-chief of the navy, supported Galtieri's bid for power given the proviso that Galtieri would use his new power to secure the sovereignty of the Islands.[54] With US backing and the support of Anaya, Galtieri was able to take control of the junta in December 1981.

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[50]Richard Ned Lebow, "Miscalculation in the South Atlantic: The Origins of the Falkland War," *Journal of Strategic Studies.* vol. 6, (1983): 23.

[51]Peter Calvert, "Latin America and the United States after the Falklands Crisis," *Millennium: Journal of International Studies.* vol. 12, (1983): 71.

[52]Feldman, "The United States Role in the Malvinas Crisis," 3.

[53]Richard C. Thorton, *The Falklands Sting: Reagan, Thatcher, and Argentina's Bomb.* (Washington: Brassey's, 1997), xx.

[54]David A. Welsh, "Remember the Falklands? Missed Lessons of a Misunderstood War," *International Journal.* (Summer, 1997): 486.

One of Galtieri's first moves was the reappointment of Nicanor Costa Mendez as foreign minister. The combination of Anaya and Costa Mendez, both anticommunist and Argentine nationalists, contributed to the hardening of Argentine interests concerning the Islands and to a more assertive regional role more generally. According to Hastings and Jenkins, Costa Mendez returned to his position with an agenda: "Alongside the rapprochement with the USA there was to be a reassertion of Argentina's regional supremacy. This included active participation in the anticommunist struggle in Central America, especially Nicaragua and El Salvador, and a forceful prosecution of territorial claims with Britain and Chile."[55] Costa Mendez firmly believed that the US would remain neutral and impartial with respect to Argentina's attempts to establish its "international credibility" and regional role.[56] Joseph Tulchin argues that the junta,

> firmly believed that they had led their nation to a new, prominent position in world affairs, that their staunch anticommunism and their willingness to fight for the anticommunist cause in Central America had won them a spot among the world's major actors, and that their interests and actions would be considered seriously by the other major actors and their leadership accepted by other Latin American nations.[57]

Although Tulchin may overstate the case to some extent, there was clearly a belief among

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[55]Hastings and Jenkins, *The Battle*, 47.

[56]Nicanor Costa Mendez, "Beyond Deterrence: The Malvinas-Falklands Case," *Journal of Social Issues*. vol.43, (1987): 121; David Welsh, "Remember the Falklands," 494.

[57]Joseph S. Tulchin, "The Malvinas War of 1982: An Inevitable Conflict That Never Should Have Occurred," *Latin American Research Review*. vol. 22, (1987): 128.

the junta members that Argentina deserved an expanded regional role, and that role required demonstrating its resolve and credibility. The fact that the Malvinas issue reached the top two or three on the priority list of the junta, had become a national symbol, and was closely tied to Argentine identity, made it a perfect target for assertiveness.[58] With the 150-year anniversary of British occupation of the Islands drawing near, the symbolism attached to the Islands attained unprecedented levels.

This section of the chapter has argued that the revival of the Argentine claims to the Malvinas began under the expectation that the transfer of sovereignty was inevitable and immanent. Perceptions of changing commitments to the region led to expanding and contracting role expectations, but these expectations were not matched by constraints on foreign policy actions. In particular, Britain's search for influence without commitments led to behavioral signals that indicated its disinterest in the South Atlantic region. Domestically, however, Britain's foreign policy actions were tied to the "wishes" of the Islanders leaving them no room to maneuver between the increasingly frustrated and assertive Argentine government and the intransigence of the Islanders who were determined to remain British. In the early years of negotiation, when Argentine official expected a transfer of sovereignty, the symbolism and importance of the Malvinas issue was heightened and increasingly became a part of Argentina's national and international identity. Costa Mendez's assertion that the Malvinas issue was about "the essence, of the

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[58]Walter Little, "The Falklands Affair: A Review of the Literature," *Political Studies.* (1984): 297.

being, of the state," captures nicely the intricate relationship between issue and identity.[59] The symbolism and nationalism attached to the Islands was racheted up in accordance with the expectation of a sovereignty transfer which then never materialized. Unable to unwind the resolution of the Malvinas issue from its corporate identity and increasing role expectations, the junta became increasingly frustrated with the status quo. It seems, therefore, that there is support for the theory's claim that following the uncertainty of a critical point, a state with an outstanding grievance will reconstruct the issue centrally to the state's identity. This new identity will begin to redefine the state's interests and aspirations. Given the structural context of capabilities, identities, and roles the remainder of the chapter will be devoted to the level agency and the process of choice.

Risk-Taking in the South Atlantic

The basic expectation of the theory sketched out in the last chapter suggests that when decision makers are acting in the domain of gains they will make choices that offer risk-averse outcomes. Choices made by decision makers in the domain of losses, however, will represent an inclination toward risk-seeking. The domain of decision makers, according to prospect theory, is determined by framing around a reference point; once the reference point is determined, the situation is evaluated as a loss or a gain from that point. The reference point, therefore, is pivotal. The most common reference point is

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[59]Nicanor Costa Mendez quoted in Michael Carleton, *The Little Platoon: Diplomacy and the Falklands Dispute.* (Oxford: Basil Blackwell, 1989), 102.

the status quo, and losses or gains from that point determine risk-orientation. It is possible, however, to have an aspiration level for a reference point, and, if that is the case, the location of the status quo will be significant for determining domain with respect to the aspiration point. It is particularly important, as the Falkland case demonstrates, when the reference point is an aspiration level above the status quo since this necessarily implies that the decision makers will be in the domain of loss. This, of course, also seems to imply a heavily situational determination of choice behaviour. For two reasons this is only partially true: (1) the aspiration level is socially constructed and is a product of the fusion of a symbolic issue and aspects of corporate identity, and where identity is mutually constituted between agents and structures. In other words, agents act to reproduce their roles/identities which are themselves the basis for the interests and thereby the choices of the agent. (2) risk-orientation, in and of itself determines nothing, rather, it influences the evaluation of options once they are established. It does not influence the formation of preferences themselves, since preferences are a function of roles and identities and these shape the options in the feasible set. This section of the chapter will proceed first by seeking to establish the reference point and domain of the decision makers. McDermott's approach which was outlined in the last chapter will then be used to assess the correspondence between the theory's expectations and the case material.

Argentine Reference Point and Domain

It is not a difficult task in the case of the Malvinas crisis to establish where the

reference point (henceforth aspiration point) of Argentine officials was located. General Juan Peron summarized the belief most concisely when, during a speech in the mid 1950s, he stated "the Malvinas are ours."[60] Michael Carleton points out that Peron never considered the Malvinas issue critical, yet his sentiment regarding the Islands set the tone for future generations.[61] There is a virtually unlimited amount of evidence to suggest that the reference point with regard to the Malvinas, from the Argentinean viewpoint, was Argentine sovereignty over the Islands. Anything less than this aspiration level represented a loss from the aspiration point. This implies, of course, that the status quo between the mid 1960's and the outbreak of the war in 1982 was located below the aspiration level in the domain of loss. Freedman and Gamba-Stonehouse point out that it was not uncommon for the public, civilian politicians, or academics to push "the military government to use force in support of valid national 'aspirations' related to 'territorial integrity' rather than in the name of internal politics and security."[62] The common theme that the Islanders were colonists that had stolen Argentinean territory was a part of the national culture in Argentina and was taught to students throughout the country as the proper reading of history.[63] Similarly, Costa Mendez notes that "we felt, going back in history, that the Malvinas were Argentina's, are Argentina's. So, for us it [the return of

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[60]General Juan Peron quoted in Michael Carleton, *The Little Platoon*, 99.

[61]Carleton, *The Little Platoon*, 99.

[62]Freedman and Gamba-Stonhouse, *Signals of War*, 4.

[63]Welch, "Remember the Falklands," 487.

the Islands] is a question of national honour and national dignity."[64]

This argument, of course, raises the question of why this aspiration level, relatively steady since the 1960s, did not lead to the risky behaviour predicted by prospect theory. Apart from the theory being wrong, there are three possible interpretations to explain Argentine behaviour. A combination of second and the third, however, is the most convincing. The first possibility, that Argentina's actions such as pushing the boundaries of the communications agreement, establishing camps on Southern Thule, and expelling fishing vessels from "Argentine waters" around the Falklands were, themselves, risk-seeking, is not fully convincing. The existence of military plans for the recapture of the Islands suggests that the possibility of invasion was considered but rejected on numerous earlier occasions,[65] and this option clearly entailed more risk. The second, more convincing possibility, is that the junta perceived that the military capability required to invade and then defend the Islands was lacking, thereby preventing the Argentines from attempting to regain sovereignty over the Islands. The other side of the capability coin, that British military strength relative to Argentina's was greater in the 1960s and 1970s also contributed to Argentine hesitancy. Still, it seems unlikely that Argentina would have invaded the Islands between the late 1960s and the early 1970s even if the balance of capabilities was more equitable. The general emphasis at the time was on domestic policy for promoting growth and modernization.

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[64]Costa Mendez quoted in Carleton, "The Little Platoon," 103.

[65]Guillermo Makin cited in Beck, *The Falklands*, 127.

The most significant factor shaping the domain of the decision maker, therefore, was the set of beliefs held by Argentine officials about the stability of the status quo with regard to the Islands. Throughout the fifteen years of negotiation between 1965 and 1980 there was increasing frustration and hardening of Argentine attitudes toward the prospect of a sovereignty transfer. Beginning with the 1967-68 memorandum of understanding, Argentine officials were convinced that the status quo was only temporary and that a new status quo - Argentine sovereignty over the Malvinas - was on the horizon. Given the transitory perceptions and expectations concerning the nature of the status quo, it would be difficult to make a convincing argument that officials were acting in the domain of loss, even though their aspiration level was above the status quo. In fact, Costa Mendez recalls a conversation with British Foreign Secretary George Brown in 1967 that made him believe that Britain was willing to negotiate sovereignty because good Anglo-Argentine relations and stronger bilateral trade were of great interest to Britain.[66] Thus, it seems unlikely that Argentine officials were in the domain of loss.

It is also significant to note that these perceptions were not entirely one-sided; rather, British actions and statements indicated a willingness to seriously consider the transfer of sovereignty. For example, assistant undersecretary of the British foreign office, David Scott, the man to whom the responsibility of negotiating the Islands' future had fallen in the late 1960s and early 1970s, stated to Argentine officials following a series of

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[66]Costa Mendez quoted in Carleton, *The Little Platoon,* 100.

productive negotiations that "if things go on like this, the Islands will be yours in ten years."[67] Similarly, Roberto Guyer, an Argentine diplomat throughout most years of the negotiations reflected that "we finally got the feeling you [Britain] took us a little bit for granted. In the sixties there were efforts to see if we could reach conversations on the vital issue, which is the question of sovereignty. Then this lapsed and talks went on."[68] Guyer's statement is supported by evidence suggesting that the transition in Britain's negotiating framework from the "interests" to the "wishes" of the Islanders lead to "talking for the sake of talking" which was highly transparent to the Argentinean officials.[69] The last-ditch efforts of Nicolas Ridley to make an honest effort to resolve the issue through a "leaseback" scheme turned out to be futile. Ridley's presentation of the proposal to the British parliament on December 2, 1980, was received with "howls of outrage" and left Ridley visibly shaken.[70] This event marked an important turning point in the thinking of Costa Mendez: "it was not the Argentineans who closed the doors to discussions. It was the British in their debate in the House of Commons of December 1980...one can really feel that the door has been closed."[71]

It seems, therefore, that by 1981 Argentine expectations about the status quo had

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[67]David Scott quoted in Times Insight Team, *The Falklands War*, 49.

[68]Roberto Guyer quoted in Carleton, *The Little Platoon*, 102.

[69]Freedman and Gamba-Stonehouse, *Signals of War*, 9.

[70]The Economist, "Falkland Islands: Origins of a War," (June 19, 1982): 37.

[71]Costa Mendez quoted in Carleton, *The Little Platoon*, 104.

hardened, thereby placing decision makers squarely in the domain of loss. Without the perceived possibility of convergence between the aspiration level and the status quo, the domain of loss became entrenched. Upon completing two unsuccessful rounds of talks in New York during 1981 and February 1982, the Argentine government released a unilateral communique outlining the Argentinean position. The theme of the communique was that Argentine sovereignty was to be recognized "within a time which at this advanced stage of the discussions will necessarily have to be short," and that if negotiation failed "Argentina reserves the right to choose freely the procedure which best accords with her interests."[72] Based on this assessment of the domain of Argentina's decision makers, prospect theory suggests that the Argentine decision to invade should represent the most risk-seeking choice among the options in the feasible set.

Risk Assessment

The assessment of the riskiness of the options considered by decision makers to be used in evaluating decisions during the Falklands crisis involves comparisons of outcome variance. Options with greater potential variance in outcome are taken to be more risk-seeking than those whose outcomes produce less possible variance.[73] The single most difficult obstacle to using ths approach is the lack of access to the majority of primary

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[72]Quoted in Freedman and Gambe-Stonehouse, *Signals of War*, 28.

[73]The approach used is adopted from McDermott, *Risk-Taking in International Relations*, chp 1; it is also discussed in more detail in the last chapter of this paper.

government documents (Argentine and British) relating to the war. Given this limitation, the assessment will necessarily be speculative. It should, nevertheless, be possible to arrive at some preliminary conclusions with regard to the risk-attitudes of the officials involved, and the congruence of their attitudes and actions with the expectations from the theory.

The onset of the crisis in South Georgia (an island dependency of the Falklands) on March 20, 1982, began several days after the landing of a team of Argentinean scrap-metal workers under contract to dismantle an abandoned whaling station on the dependency. The South Georgia crisis is important because it provided the trigger for the war itself. Although the workers were working on the Islands under a legal contract, approved by both the Argentinean and British governments, their presence on the island created a series of events that led to decision making under perceived time constraints. British officials, sensing that the Argentinean crew contained some military personnel, believed that the junta was planning to erect a permanent base on the island as it had on Southern Thule.[74] Believing also that the workers were on the islands illegally because they had not landed in the port at Grytviken to have their passports stamped, the British government sent the HMS Endurance to expel the workers from the Islands.

The Argentines, on the other hand, were convinced that the British government had been fully informed of the intended arrival of the workers and was overreacting to the

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[74]Freedman and Gamba-Stonehouse, *Signals of War*, 49; Hastings and Jenkins, *The Battle*, 55.

situation in order to create enough domestic pressure at home to keep the Endurance from being retired, or worse, that the foreign office was were trying to drum-up support to expand the British military presence in the region.[75] In response to the Endurance's orders to expel the workers, the Argentine government deployed a navy ship, the Bahia Paraiso, to give full "protection" to the workers.[76] Shortly thereafter, two Argentine corvettes, Drummond and Granville, also began the trek toward South Georgia in support of the workers.[77] By 25 March, the junta was convinced that British reinforcements were en route to the region.[78] Their belief was based on media information suggesting that the nuclear submarine HMS Superb, and two transport vessels, the John Biscoe and the Bransfield, carrying a contingent of marines had left military maneuvers in the Mediterranean and were well on their way to the South Atlantic.[79] It was also assumed throughout the press that the Exeter, stationed in the Carribean, was to be deployed to the region within a day. Admiral Anaya recalls that "some newspapers assured that they have received confirmations from the British government that the Superb left finally on March 25 last. This news was neither confirmed nor denied by the Foreign Office."[80]

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[75]Freedman and Gamba-Stonehouse, *Signals of War*, 62.

[76]Moro, *The History of the South Atlantic Conflict*, 14; Hastings and Jenkins, *The Battle,* 56.

[77]The Times Insight Team, *The Falklands War*, 78.

[78]Freedman and Gamba-Stonehouse, *Signals of War*, 76.

[79]Moro, *The History of the South Atlantic Conflict*, 15.

[80]Anaya quoted in Freedman and Gamba-Stonehouse, *Signals of War*, 76-77.

Unfortunately, virtually all of this information was mistaken and no ships were deployed to the region prior to the 29 March, when HMS Spartan and HMS Splendid, two nuclear submarines, sailed. Despite the false nature of these reports, the perceptions of the junta were clear by the 25th: Britain was reinforcing its presence in the South Atlantic region.

The problem, in the eyes of the junta, was that their planned approach of escalating pressure throughout the year, a tactic designed to force a conclusion to the sovereignty negotiations, would be upset by British reinforcements. Lebow points out that "the junta set out upon a deliberate course of escalating tensions with Britain. Their strategy was to commit themselves step by step to military action in the expectation that this would succeed in eliciting some kind of British concession on sovereignty before they were compelled to act."[81] The possibility of reinforcements, therefore, placed the Argentinean escalation strategy in jeopardy; it also eliminated the possibility of a bloodless invasion which the junta deemed necessary to keep international condemnation at bay.[82] Argentine officials, accordingly, were working under what they perceived as a small window of opportunity where the Islands were vulnerable to a bloodless invasion.

In light of this context the junta considered four possible options: first, the junta could back down or attempt to de-escalate tension over South Georgia in order to resume negotiations over the entire Malvinas issue, rather than becoming embroiled in a peripheral

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[81]Lebow, "Miscalculation in the South Atlantic," 20.

[82]Freedman and Gamba-Stonehouse, *Signals of War*, 99.

conflict over South Georgia; second, the possibility of approaching the UN Security Council with the issue was considered; the third option involved "isolating" the Falklands by cutting of air transportation, food, and oil in an attempt to pressure Britain into assuming those expenses; finally, the invasion option, which needed to be undertaken immediately if it was to be successful, could be initiated.

Of the available options, recourse through the UN Security Council offered the possibility of returning the two parties to the bargaining table and a slight possibility that the increased pressure from the UN would lead to more serious discussions concerning the sovereignty of the Islands. The junta considered the possibility of drafting a resolution about the bad faith in which Britain had been negotiating, in order to obtain a "justification" for military action.[83] The approach, however, was rejected on several grounds. First, the window of opportunity facing the junta did not allow enough time to get the resolution passed. Second, pressing for a resolution during the tensions of the South Georgia crisis would surely be tipping their hat to the British about the possibility of invasion. Finally, as Freedman and Gamba-Stonehouse suggest, Britain's permanent seat on the Security Council gave it a veto over any potential actions or resolutions brought before the Security Council.[84] Given the probable ineffectiveness of this option and the scant rewards it might bring, it was dismissed as simply a return to the status quo.

The option of backing down from the South Georgia crisis provided a worse set of

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[83]Ibid., 80.

[84]Freedman and Gamba-Stonehouse, *Signals of War*, 80.

outcomes than attempting to go through the security council. Not only would this approach enhance Britain's bargaining position; in light of the emotional buildup that had taken place in Argentina it would likely lead to the down fall of the government.[85] Following the meetings in New York, the year before, the Argentinean press heightened the expectation of confrontation over the Islands suggesting that "very precise time-limits" with regard to sovereignty transfer were to be established, and that Argentina "would receive support from the United States for any action leading to the recovery of the Islands, not excluding military action."[86] The option of backing down, however, was effectively eliminated when the Argentinean government refused to have the workers return to Grytviken to have their passports stamped, since this represented a de facto recognition of British sovereignty over not only South Georgia, but the Falklands as well.[87] According to Costa Mendez, "if Argentina accepted the British position concerning Davidoff's men, that would erode Argentina's position in the world, both legally and politically."[88] Had Argentina backed down, moreover, it would have lost most of its leverage for moving the negotiations forward. Most likely, the discussion of sovereignty would have come off the table indefinitely.

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[85]Lebow, "Miscalculation in the South Atlantic," 21.

[86]Quoted in Thornton, *The Falklands Sting*, 81.

[87]Hastings and Jenkins, *The Battle*, 56.

[88]Costa Mendez quoted in Carleton, *The little Platoon*, 123.

The possibility of isolation, the action that Britain believed to be most likely,[89] was also considered by the members of the junta. By playing on the British fear of incurring the massive expense required to provide the same services to the Islanders that Argentina provided over the past ten years, the isolation approach offered the possibility of pressuring Britain to resume serious negotiations over the sovereignty of the Islands. Given that Britain was hesitant to spare the expense of keeping the Endurance in the South Atlantic it seems unlikely that it would have wanted this level of involvement.

The complicating factor to the isolation approach, however, was the newly supported Chilean claim to the Beagle Islands. Representatives of the Vatican, acting as mediators between Chile and Argentina over the disputed territory, offered a settlement proposal in favor of Chile in December 1980. Accordingly, the Chilean claim gained important backing internationally. As a result, there was growing concern in Argentina that attempting to cut off supplies to the Falklanders would encourage a rapprochement between Britain and Chile. Freedman and Gamba-Stonehouse argue that "once Chile was confirmed in the Beagle Channel it could 'legally' offer logistics to the Falkland Islands should Argentina cut them off."[90] This possibility would be intolerable for the junta since it would provide a means for Britain to continue its ties with the Falklands without significantly increasing its costs. Furthermore, it would also give Chile another strong backer in the continuing dispute over the Beagle Islands. The worst case scenario given

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[89]Hastings and Jenkins, *The Battle*, 54.

[90]Freedman and Gamba-Stonehouse, *Signals of War*, 7.

this option would be a reinvigoration of British commitment to the region and a "Fortress Falklands" type approach to the management of the dispute. In any case, the isolation option represented a fairly substantial risk in that its outcome variance was fairly broad: on one hand it could push the British to discuss sovereignty seriously, but more likely it would lead to an Anglo-Chilean rapprochement or to heightened British commitment. The best and worst outcomes with this option represented a better first outcome if all went smoothly, but its worst outcome was less acceptable than either outcome related to backing down or approaching the Security Council. The isolation option, therefore, represented greater risk than the first options discussed.

The final option considered by the members of the junta was the military option. The military plans that were devised by the new junta starting on 22 December 1981, were, in fact, not entirely new. Although the plans were reworked from the ground up, there was a long precedent of military plans aimed at an invasion of the Islands. Since the early 1960s these plans had been kept, modified, and reworked with the express intention of keeping the military option available on relatively short notice if it was ever deemed necessary.[91] Rear-Admiral Carlos Busser who helped draw up the plans for "Operation Rosario" supports this view: "The order was not to update the plan but to draft a plan from scratch. Argentina had made plans in the past to recover the Malvinas, but the order we got was to make out a new plan."[92] The only real difference with the current plan,

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[91]Freedman and Gamba-Stonehouse, *Signals of War*, 103-104.

[92]Rear-Admiral Carlos Busser quoted in Carleton, *The Little Platoon*, 111.

however, was that there was a higher probability that it might be put into action if negotiations failed again.[93] As Costa Mendez notes, however, "we were drawing up a military plan, but that does not mean that we had taken the decision to invade. As you know, in military terms, there is a huge difference between a plan and an order."[94]

The invasion option represented a very large possible variance in outcomes. The immediate benefit of an invasion was the presentation of a fait accompli to the British. The invasion itself was not expected to create any logistical problems, meaning that the central concern for Argentinean decision makers was the British response. In the meantime, however, the invasion offered an immense boost in popularity for the beleaguered junta. Although it should be noted, as Freedman and Gamba-Stonehouse have argued "that it was the urgency of the dispute with Britain rather than the domestic situation which triggered the intervention. The Islands needed to be occupied before British military reinforcements, already believed to be on their way, arrived in the South Atlantic."[95] The junta believed that the invasion strengthened its negotiating position vis-a-vis Britain, and the stated intention of the invasion was to do just that. Admiral Harry Train of the United States Navy recalls a conversation with Admiral Anaya during a debriefing session following the war, noting that "Anaya thought - and these are his words to me - that he was just 'giving a nudge to diplomacy', by landing five hundred troops in

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[93] Carleton, *The Little Platoon*, 111."

[94]Costa Mendez quoted in Carleton, *The Little Platoon*, 112.

[95]Freedman and Gamba-Stonehouse, *Signals of War*, 68.

Port Stanley. Even weeks after the landing, the Argentine leadership believed that they were still under crisis management mode, whereas the UK believed they were at war."[96]

Adding fuel to the invasion fire was the perception among the junta members that Britain was unlikely to raise more than a diplomatic response to the Argentine aggression. In an interview with Oriana Fallaci, Galtieri claimed "that though an English reaction was considered a possibility, we did not see it as a probability."[97] Similarly, based on his debriefing of Admiral Anaya following the war, Henry Train points out that Anaya was convinced that a fight with the British was very unlikely.[98] There was undoubtedly, therefore, a belief that an invasion represented an opportunity to achieve a national aspiration on both a personal and nationwide level. According to David Welch, Admiral Anaya, for example, saw the recapture of the Falklands as part of his life's mission.[99] Similarly, letters to the editor printed in *La Nacion*, a prominent Argentine newspaper, expressed the same sentiment on the national level:

> The day has arrived in which we can embrace that unknown missing Argentine, called Malvinas. We are very conscious about recovering these pieces of our motherland. We are very proud to be in the age of the rescue of our pieces, our Islands that we feel as family and rejoice in the reunion of missing parts of our identity. A son previously taken away from us has been reintegrated into the

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[96]Admiral Harry Train quoted in Carleton, *The Little Platoon*, 119.

[97]Galtieri's interview with Oriana Fallaci, *The Times*, 12 June, 1982, p. 4.

[98]Carleton, *The Little Platoon*, 120.

[99]Welch, "Remember the Falklands," 488.

maternal fold; an act of justice has been accomplished.[100]

Thus, despite the possibility that Argentina might be facing a hostile British response to its actions, the invasion represented a possibility of achieving substantial gains for a relatively insignificant cost. The invasion option, therefore, represented the best possible outcome within the feasible set facing the decision makers.

Although the possibility of war with Britain was heavily discounted, it was clearly seen as a possibility and therefore represented the worst outcome of all the options considered. Ample evidence was provided to the junta - even if they thought it was a bluff - to suggest that a military response was a possibility. President Reagan's telephone conversation with Galtieri on 1 April, the eve of the invasion, was the final confirmation of the war possibility. After the phone call Reagan is reported to have said "I guess I spelled it out, but it didn't sound as if the message got through."[101] The extreme outcome variance associated with the invasion option represents a level of risk that is greater than any of the other available options. The decision to invade the Islands made on 29 March, 1982, by the military junta, supports the expectation of prospect theory that decision makers in the domain of loss will choose risk-seeking options in an attempt to return to the reference point.

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[100]Excepts of letters to the editor of La Nacion quoted in Nora Femenia, "Emotional Actor: Foreign Policy Decision-Making in the 1982 Falkland/Malvinas War," http://www.falklands-malvinas.com/emotionalactor.htm, (July 31, 2000): 8.

[101]The Times Insight Team, *The Falklands War*, 80.

British Reference Point and Domain

The British situation is an interesting case for analysis because it represents a change of domains - from gains to losses - triggered by the Argentinean invasion of the Falklands. Transitions of domain are interesting for the fact that they offer two different expectations of risk-orientation for decision makers which can be assessed within the same case. The first part of this section will briefly establish the reference point of the British decision makers with regard to the Falklands issue. Part two of the section will then look at establishing the pre-invasion domain of the members of the British War Cabinet and its match with the events leading up to the war. The third section will examine the fit between domain expectations and foreign policy actions of British policy makers in the post-invasion period.

Prior to and during the war, there was a fairly consistent attitude throughout the British administration concerning the Falklands. Among elites in the Foreign Office there was at times more flexibility concerning the reference point than was found throughout the rest of the government. The general sentiment, however, was that the Falklands were British territory and would remain so unless there was a drastic change in the wishes of the Falkland Islanders. Britain's legal claim over the sovereignty of the Islands was based primarily on consistent habitation since 1833 and on the right of self-determination for the Islanders. Undoubtedly the British wanted to minimize their expenses in the South Atlantic, particularly during the period of post-war decline; they at no time, however,

wanted to do anything that went against the interests, and later the wishes, of the Islanders. The sentiment in parliament was generally even stronger than this. The beliefs of Sir John Biggs-Davidson are fairly representative of the attitudes held in parliament (this was evident, for example, when Ridley's leaseback proposal was received by "howls of outrage"[102] in the Commons). He argues that:

> This [the Falklands] is British sovereign territory. It is inhabited by a population that is certainly more British than the population of London. There is no reason therefore why those people should not be allowed to live their lives in peace, and it was the duty of any British government to defend that right.[103]

On a similar note, Peter Shore, Labour's shadow foreign secretary, recalled his sentiments over the Falklands at the time noting "I could not imagine that a British Government would abandon the people of the Falkland Islands to an unwanted solution [leaseback] that brought them under the rule of a foreign power."[104] Sir Bernard Braine, a Conservative backbencher, had an even stronger reaction: "the important thing is that the Falkland Islanders had been there up to six generations, they had peacefully settled in the Falkland Islands, and by what right did a fascist dictatorship, next door, demand that

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[102]The Economist, "Origins of the Falklands War," 37; also see Peter Beck, "Cooperative Confrontation in the Falkland Islands Dispute: The Anglo-Argentine Search for a Way Forward," *Journal of Interamerican Studies and World Affairs.* vol. 24, (February, 1982): 43. Beck notes that according to the Times' parliamentary correspondent, "The House of Commons came together in total concord...seldom can a minister have had such a drubbing from all sides of the house...the minister [Ridley] was left stammering and confused."

[103]John Biggs-Davidson quoted in Carleton, *The Little Platoon*, 80.

[104]Peter Shore quoted in Carleton, *The Little Platoon*, 95.

sovereignty over them should be transferred."[105] This general sentiment was also clear to Prime Minister Thatcher who states in her memoirs that "we could not do anything without their [the Islanders] consent: their wishes must be paramount."[106] This evidence suggests that the British reference point concerning the Falkland Islands was the status quo. Accordingly, the domain of the decision makers is determined as gains or losses from this point.

In the pre-invasion period, therefore, British decision makers were in the domain of gains. Although the foreign office was seeking a means to settle the ongoing dispute with Argentina, they held the upper hand in the discussions and were dealing with the core issue of sovereignty only on their own terms. Between 1968 and 1978, for example, there was little discussion of sovereignty; rather, discussions were geared toward peripheral issues that might eventually smooth the way for more serious discussions. The leaseback proposal advanced and discussed between 1978-80, was the first concrete discussion of transfer in over a decade. The proposal, however, represented only the interests of the foreign office, and even then Ridley had trouble getting the idea past Carrington and Thatcher.[107] Moreover, apart from a few minor incidents and a great deal of "saber-rattling" by Argentina's leaders, there was little emphasis placed on the Falklands. The

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[105]Bernard Braine quoted in Carleton, *The Little Platoon*, 79.

[106]Margaret Thatcher, *The Downing Street Years 1979-1990.* (New York: HarperPerennial, 1993), 175.

[107]Ridley's leaseback apparently received a "fearful mauling" in committee before it was ever present in the house of commons. See, The Economist, "Origins of the Falklands War," 36.

government believed that it was able to step back and let the emerging ties between the Islands and the Argentine mainland grow without having to expend many resources on the region. In her memoirs Thatcher recalled believing at the time that when dealing with Argentina "it is important to remember how much aggressive rhetoric there had already been in the past, none of it coming to anything. Moreover, based on past experience our view was that Argentina was likely to follow a policy of progressively escalating the dispute, starting with diplomatic and economic pressures."[108] The expectation among British policy makers, therefore, was their complacency in dealing with the Falkland question was unlikely to lead to a challenge to the status quo.

According to the expectations from prospect theory, then, British decisions should take on a risk-averse orientation, and a central concern in their relationship with Argentina should be to avoid losses. Although there is not sufficient evidence, or space, to make a detailed analysis of different British decisions taken throughout the last decade of the Anglo-Argentine confrontation, there is some anecdotal evidence suggesting that British decision makers were indeed being risk-averse as stipulated by the theory. The incident in Southern Thule, for example, represents a situation where there were numerous options with varying degrees of risk available to the British decision makers. The presence of the Argentine base was clearly taken in Britain as an infringement of British sovereignty, yet the British response was minimal.[109] It could be argued that this was a cost-related

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[108]Thatcher, *The Downing Street Years*, 176.

[109]Freedman and Gamba-Stonehouse, *Signals of War*, 41.

decision, but the primary and most pressing concern seemed to be the fear of escalation. Fearing strong parliamentary reaction, the foreign office kept the incident under-wraps for nearly two years and avoided any public condemnation of the action.[110] The following year British Intelligence believed there was a possibility of Argentina attempting to establish a camp similar to that on South Thule. A submarine was dispatched to the South Atlantic to monitor Argentine behaviour and prevent any further encroachments. On the surface it might seem that sending a submarine to the region was a more aggressive move than political condemnation through international channels, yet because the Argentineans were never made aware of its presence there was no signal value.[111] Hastings and Jenkins point out that "to this extent, James Callaghan's failure to react militarily in 1976 was a far more significant 'signal' than his covert reaction in 1977."[112]

Beginning with the crisis in South Georgia and leading right up to the Argentine invasion, British actions and decisions represented a highly risk-averse attitude. Lebow's argument that British decision makers were engaged in "defensive avoidance"[113] is almost entirely consistent with account of "loss avoidance" and "risk-aversion" being presented here. According to Janice Stein, defensive avoidance "is characterized by efforts to avoid,

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[110]Ibid., 41.

[111]Hastings and Jenkins, *The Battle*, 36.

[112]Ibid., 55.

[113]Lebow, "Miscalculation in the South Atlantic," 21.

dismiss, and deny warnings that increase anxiety and fear."[114] Lebow also notes that a further characteristic of defensive avoidance is that "a policy maker searches for an alternative to his current course of action when he perceives serious risks to be inherent in it."[115] In other words, decision makers will use the techniques of defensive avoidance - bolstering, procrastination, and shifting responsibility - to avoid taking risks. Britain's stall tactics that predominated between 1968 and 1978, and which returned again after the leaseback debacle in 1980, were, for example, consistent with the general pattern of defensive avoidance. Lebow points out that "the Thatcher government began to move away from the objective of actually finding a solution to the problem and instead sought merely to forestall a crisis by keeping negotiations alive."[116] Hugh Carless, head of the Latin American desk in 1976 during the Southern Thule incident, supports Lebow's view of British policy: "On the other hand it helped us in doing what we were constantly attempting to do, which was play for time. To play for time in the hope that events would arrange themselves in such a conjunction that some kind of a solution would emerge."[117] The approach to the confrontation described by Carless is classic defensive avoidance and suggests that risk-aversion was prominent in British decision making towards the Falklands.

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[114]Stein, "The Misperception of Treat," 37.

[115]Lebow, "Miscalculation in the South Atlantic," 16.

[116]Ibid.," 17.

[117]Hugh Carless quoted in Carleton, *The Little Platoon*, 60.

Thus, throughout the lead-up to the invasion London's concern with possible miscalculated escalation was a driving force behind decisions. Preventing an Argentine overreaction in order to preserve the status quo was a highly important component of British policy, and one that contributed to miscalculations on both sides.[118] The decision to send the Endurance from Stanley with a small contingent of marines, in light of the Davidoff's workers on South Georgia, was a somewhat more assertive move on the part of Britain - one could hardly call it risk-seeking, however. In fact, the escalatory potential of the decision was tempered by avoiding a firm commitment to evict the Islanders. The Endurance, instead, was directed to Grytviken, a four-day sail, and told to await instructions.[119] In the meantime, the foreign office sought to downplay the possibility of eviction and focus rather on having Argentina recognize Britain's sovereignty, which entailed having the workers return to Grytviken to have their passports validated.

The Argentineans acting in the domain of loss refused to cooperate, however; they even made British officials believe they were leaving South Georgia by sending the navy transport ship, on which the workers arrived, toward home. It was only discovered the next day that the entire work crew had remained behind. The cautious British approach to the situation allowed the Argentinean leaders exploit a window of opportunity to send nearby ships to provide "protection" for the workers. Undoubtedly this was a challenge to

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[118]Freedman and Gamba-Stonehouse, *Signals of War*, 43 & 52.

[119]Hastings and Jenkins, *The Battle*, 56.

British policy.[120] British decision makers were once again caught between their two opposing policy options. The two options according to Lebow included: first, an option to apply pressure to the Islanders in order to make them to accept a transfer to Argentinean rule. This options was unpalatable to most British decision makers on a personal level, however, without even making mention of the political consequences of such an action. The second possible option was a full commitment to the Islands in a "Fortress Falklands" type scenario.[121] Again, there was little support for the type of expense considering the budgetary crunch facing the government at the time.[122] British policy, therefore, continued to thread the fine line between withdrawal and commitment, thereby avoiding the risks associated with each. Unfortunately, however, this policy made British decision makers vulnerable to cognitive distortions allowing them to downplay the signals of military preparations coming from Argentina.

The Argentinean decision to invade the Malvinas exemplifies an event that compels a domain change for decision makers in another party. In other words, the British reference point - sovereignty over the Islands - from which gains and losses are judged is suddenly at odds with the new status quo presented to them. The shift to the new status quo induced by the invasion is interpreted as a loss from the previous reference point. As was discussed earlier, renormalization to changes in the status quo occur most quickly

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[120]Ibid., 60.

[121]Lebow, "Miscalculation in the South Atlantic," 18.

[122]Ibid.," 14-15

with gains and fairly slowly with losses. The expectation based on this forced change of domain, then, is that British decision makers will display a tendency toward risk-seeking in their foreign policy actions throughout the remainder of the crisis. The decision with which this analysis will be particularly concerned is the original decision to commit troops to the South Atlantic. It will be demonstrated through the analysis that this decision essentially sealed the fate of the two countries on a path to war.

Although it is frequently assumed that the British response to the Argentine invasion was immediate, certain, and unwavering, evidence suggests that for a brief period an alternative diplomatic approach was being considered. Admiral Henry Leach, chief of the naval staff, who, on 31 March, briefed Thatcher, Nott, and Atkins on the possibility of a military response recalls that "I think that I sensed, when I went in, that the sort of advice she had been getting prior to that had tended to deflect her from doing anything beyond negotiating, and putting the screw on with words again."[123] The decision to send the task force south, therefore, represented only one of the options considered. In light of the cabinet's desire to reduce military expenditure, and the many debates about the benefits of withdrawal from the South Atlantic (provided the Islanders consented), here was a clear opportunity for disengagement, albeit not on their own terms. The option of using diplomacy, and sanctions if necessary, rather than a military response presented a set of outcomes that included: negotiation on Argentine terms, which was unlikely to produce

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[123]Admiral Henry Leach quoted in Carleton, *The Little Platoon*, 189.

a satisfactory outcome; there was also the possibility that a public and administrative backlash would force the government from office; the final outcome perceived among many officials in the government was the damage that would be done to Britain's "prestige," its "national honor," and its role as a force in the world.[124]

The variance in outcomes associated with the military option, however, produced a significantly greater level of risks than the diplomatic approach. Moreover, it offered a chance - however slim - to return the cabinet to its reference point. It should be noted quickly, however, that most judgements concerning the likelihood of recapturing the Falklands were moderate at best. John Nott, for example, stressed the logistical complications of attempting to mount such an operation, thereby suggesting his lack of confidence in the British ability to perform the task.[125] Freedman also notes in his analysis of the war that "on both military and diplomatic grounds, it was pointless for Britain to send a token force. From the start the task force had to look capable in principle of retaking the Islands. But even then it was not obviously and overwhelmingly superior to the force it would meet."[126]

The decision to send the task force entailed a wide variance in outcomes. First, the military option, committed in its role as a "liberating force", established a hard and fast limit on diplomatic manoeuverability. Because of the distance involved in reaching the

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[124]See Sharp, *Thatcher's Diplomacy*, 66-73.

[125]Hastings and Jenkins, *The Battle*, 67.

[126]Freedman, "War of the Falkland Islands," 201.

Falklands, there was necessarily a finite time period in which the task force would be able to operate. Moreover, the assumption accompanying the task force logic was that the only acceptable way to restart bilateral negotiations was for the Argentineans to withdraw from the Islands and allow British administration to resume. Of course, this was totally unacceptable to the junta who were being celebrated as national heroes throughout Argentina. With the two sides so far apart, negotiations were almost certain to be deadlocked. Britain was committed to its position by virtue of its decision to undertake the expense of sending the fleet; backing down was no longer and option. Unless Argentina was prepared to vacate the Islands, therefore, war was immanent. With the surge of national unity at their backs, however, the junta was in no position to de-escalate and return to the pre-invasion bargaining framework. Francis Pym, Carrington's replacement at the post of foreign secretary following the invasion, recalls his thoughts about the Argentinean position:

> There was Galtieri, exciting the crowds in Argentina. We saw them on television. The square in Buenos Aires, was absolutely full of cheering people. Very difficult for him then to come along and say he had agreed to something the British could agree with, and which would mean their withdrawal.[127]

Pym also felt that given the history of the negotiations the prospect of reaching a settlement was slim. "I do not think there was the slightest chance of that happening after

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[127]Francis Pym quoted in Carleton, *The Little Platoon*, 190-191.

the invasion by the Argentines. Every proposal we put forward naturally included not only an immediate ceasefire, but an immediate withdrawal."[128] In other words, there was essentially no common ground to be found between the two parties throughout the entire negotiating period while the task force was en route to the South Atlantic.

The possibility of losing in a conflict with Argentina would also have caused an outcome with consequences at the domestic and international level. If the war were lost the government most certainly would have faced a domestic wrath for allowing the invasion in the first place, and for undertaking such an adventurous, expensive, and risky foreign policy operation to recover the Islands. The international consequences of a defeat, moreover, would have been a death blow to the remnants of Britain's great power status. It would have been a humiliation the likes of the Suez. Leach believed that:

> if this invasion came about, then we would have to do something. We would have to do it fast, *and we would have to do it with complete success.* If we either found it was 'too difficult' or 'too far away' and did not do it, or if we *pussy-footed around and only half did it, and it was a bit of a shambles*, either way it would be a disaster. That would really be the end of this country as a force in the world. I do not mean a military force, but a national force (emphasis added).[129]

The domestic consequences of a defeat in the South Atlantic, therefore, represents a similar outcome to what could have been expected if Thatcher's administration had shied away from choosing the military option. Similarly, pursuing a diplomatic solution that

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[128]Ibid., 192.

[129]Henry Leach quoted in Carleton, *The Little Platoon*, 189.

would have inevitably given Argentina the upper-hand was thought to suggest a British role that no longer deserved a status as a major power. Defeat in the war would have raised the same issues. Accordingly the military option produced a greater variance in outcomes than did the diplomatic approach, suggesting that it was the more risky option to pursue.

Summary and Conclusions

This chapter has argued that changing levels of perceived capabilities in the case of both Britain and Argentina led to changing role expectations in the South Atlantic region. Britain's decline as a leading world power led it to contract its level of commitment overseas, and despite the British government's stated commitment to the "wishes" of the Islanders, it did its best to reduce the financial burdens associated with the Falklands. By entering into the 1971 communications agreement, by planning to retire the Endurance from the region, and by failing on numerous occasions to respond to Argentine intrusions, Britain unintentionally signaled a disinterest in the South Atlantic region to Argentine officials.

Argentine officials' understanding of the country's regional position was certainly, in part, related to its perceptions of British withdrawal. At the same time, however, there were numerous domestic factors contributing to increasing Argentine regional assertiveness. The early 1960s marked the emergence of the "Doctrine of National Security" and its emphasis on industrialization and modernization. There was a growing

belief at the time that Argentina's "natural" growth would lead to a prominent position in the region, if not the world, and the re-emergence of the Malvinas issue on the international platform provided by the UN increased the symbolism associated with the Islands. In effect, the Islands came to represent Argentine identity and status in the region, and Argentine officials believed that as the state's role expanded it was inevitable that the sovereignty of the Malvinas would be transferred.

Based on this set of beliefs, the sovereignty issue was not a priority for officials because they believed that it was only a matter of time before the Islands were reunited with Argentina. With this expectation in the background, the symbolism of the Islands was allowed to flourish. The return of the Malvinas became a rallying cry for the nation, and an integral part of the state's identity. Unfortunately for the Argentineans, the status quo turned out to be more permanent than expected. Throughout the mid-1970s and into the 1980s, the frustration Argentine decision makers continued to grow as their expectations of transfer were continually dashed. It was argued in this chapter that the hardening of Argentine beliefs relating to the status quo, in combination with the construction of the reference point at an aspiration level, is what ultimately caused the junta to be in the domain of loss. Accordingly, the junta's actions were not risk-seeking until approximately 1980 when they became convinced that the status quo was not going to change as they had expected. With their expectations regarding the status quo hardened, they were clearly in the domain of loss with respect to the reference point, and their behaviour following 1980 became increasingly belligerent culminating in the most

risk-seeking action in their feasible set, the decision to invade the Malvinas.

One problem with the particular account outlined throughout this chapter is that there is not a clean fit with standard prospect theory explanations. The argument that a decision maker's beliefs about the status quo can influence his domain by re-framing the issue in a different light strays from typical framing accounts found in prospect theory. Prospect theory would suggest that since the junta's aspiration point was clearly established above the status quo by the late 1960s, risk-seeking attitudes should feature prominently in junta's decisions. Clearly, however, this was not the case. The fact that the Argentine decision makers were in the domain of loss at the outset of the Falklands conflict is not in dispute, however; what is being disputed is why the domain of loss - present throughout the decade leading up to the conflict - did not result in risk-seeking behaviour at an earlier stage. The response offered here, which seems intuitively plausible, is that expectations or beliefs about likely changes in the status quo will prevent a decision maker from becoming entrenched in the domain of loss. Although this may be an ad hoc explanation in this particular case, the idea itself may prove empirically useful and should be investigated in other cases.

The explanation of the actions of British officials, on the other hand, was different and more in keeping with typical prospect theory explanations. Throughout the lead-up to the invasion the war cabinet remained in the domain of gains; it was argued that its reference point was the status quo on the Falklands sovereignty issue. The Argentine invasion, therefore, was interpreted by British decision makers as a loss from that point.

Accordingly it was expected that prior to the invasion Britain's foreign policy actions should have been risk-averse, while after the invasion they should have been risk-seeking. British officials, therefore, demonstrated reasonable consistency with the expectations from the theory. Their behaviour was risk-averse leading up to the crisis, and they sought as much as possible to avoid taking any action that had the possibility of escalating tensions between the two states. Following the inversion of the cabinet's domain, however, their foreign policy decisions took on a risk-seeking character. The decision to send the task force to the South Atlantic represented a serious risk for the government. The analysis in this chapter provided evidence to suggest that both Argentine and British actions supported the expectations from the theory, with the qualification discussed above concerning the junta's beliefs about the status quo in the decade leading up to the conflict.

Although looking only at single case certainly limits the inferences and conclusions that can be drawn about the strengths and weaknesses of the theory, there remain several important insights that can be taken away from the analysis. One of the most important lessons concerns the importance of identities in understanding the development of international conflict. Attempting to explain the Falklands war without reference to the ideational structures in which the conflict is embedded would prove tremendously difficult. An explanation based on "realpolitik" and "national interest", for example, would provide little insight into the patterns of interaction leading to the Falklands war. The strategic or economic relevance of the Islands were certainly of limited intrinsic worth, and the costs associated with maintaining the Islands' population make it difficult to understand their

appeal. By turning to the ideational structure in the form of state identities, however, it is possible to understand how an issue with seemingly little intrinsic value can attain such importance. The linking of issue and identity helps to explain the interests and preferences of the state which could not be otherwise explained, and, moreover, provides an element of stability to prospect theory that is not present on the theory's own terms. In standard prospect theory accounts, domains of gain and loss can be interpreted using a variety factors from economic and domestic to military; in other words, an analyst can attribute the decision makers domain to any set of factors that might be relevant to the decision maker at that given time. By focusing on the specific issue of the conflict and using only concerns related to the aspirations and status quo on that issue the inherent subjectivity of prospect theory is reduced to some degree.

The issue-identity link also plays an important theoretical role in state preferences. The case demonstrates that preferences are derived through both endogenous and exogenous aspects of identity construction. Security concerns provide one impetus for preferences; as the issue is centralized in the state's identity it becomes the dominant concern of the relationship between the states in conflict. Accordingly, the strategic environment characterized by the security dilemma presents the state with a set of structural concerns that exacerbate its "need" for security, while also shaping the social interactive aspects of the state's identity on which interests/preferences are based. On the other hand, domestic concerns also influence the formation of the state's identity and interests. In particular, the symbolic attributes attached to the issue are largely

constructed through the "security imaginaries" created by state officials. The external and internal environments therefore give rise to the meanings that shape the state's understanding of the situation.

The idea of identity also faces numerous difficulties that are inherent in the concept; this is particularly true when the notion of identity is applied to states in the international system. To some extent the state is anthropomorphized by tagging it with the concept of identity. The state, however, particularly in times of crisis can be seen to have a relatively unified set of goals or preferences. The identity relationships between states, as they are seen here in the ideal-types of cooperative, rivalry, and fight, form the basis from which preferences or "national interests" emerge.

The case material also demonstrated that despite moving towards a more "scientific realist" explanation based on unobservable ideational structures such as identities, there remains a significant place in the analysis for material structures such as capabilities. The evidence from the case suggests that changes in economic and military technology, geography, resources, or other material structures can affect a state's understanding of its foreign policy role. Although the analysis was based on perceptions of material capabilities these perceptions did not seem entirely inaccurate in the Falklands case. British decision makers, for example, were acutely aware of their declining material capabilities; just as the Argentinean leaders correctly perceived a growth in their relative capability in the South Atlantic region. Based on these changes, both states entered periods of uncertainty concerning the regional roles. The evidence, therefore, seems to

support the suggestion that shifting material capabilities are associated with the onset of conflict. The mechanism linking material capabilities to conflict in this case runs through the construction of identities, interests, and aspirations which are used to explain the domain of the decision makers.

Another point that should be addressed with some depth concerns the reasoning behind adopting an approach so obviously lacking in parsimony. The question could be put another way: why do we need both agency and structure? Since the complexity and "messiness" of the theoretical argument stems from attempting to impose an agency-structure framework on the account, the question is certainly fair. The most concise answer to this question is given by Most and Starr who argue that structure and agency (opportunity and willingness in their discussion) are jointly necessary conditions.[130] The basis for this assessment can be found in most accounts of the agency-structure problem each of which include several common themes. By looking at both agency and structure independently it is possible to see where each falls short on its own.

It seems reasonable to assume that although structure or context will influence our actions, it is not fully deterministic. Structure, in other words, sets limits on possible behaviours by excluding options from the feasible set; but, structure cannot account for a specific choice among various options available to the decision maker. For example, balance of power theorists argue that states have two means of achieving a balance of

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[130]Most and Starr, *Inquiry, Logic, and International Politics*, 40.

power. Internal balancing requires building ones own arms and industrial capability to match a potential threat, while external balancing refers to the use of alliance commitments to establish a balance. The need to balance is given by the structural conditions of the security dilemma: the growth of one state's power increases the other's insecurity. Thus, the structural conditions compel a response to the threat without, however, determining how the threat will be handled. On the other hand, context also enables certain actions. The centrality of the Malvinas issue to Argentina's national identity created a domestic environment supportive of any action that would return the islands to Argentine control. Certainly and environment that did not support such a goal would likely have meant political suicide for the already beleaguered junta.

Turning to a strictly agency based approach, however, leads to its own problems. A focus on agency ignores the contextual and focuses rather on the choices of decision makers. Using a variety of approaches, including rational and psychological, decision making analysts emphasize the process of choice leading to particular outcomes or events. Proceeding from this micro-level perspective, however, obscures the imbeddedness of decision makers within the state apparatus and the contexts of international politics more generally. Decision makers are both subtly and not so subtly influenced by their environment, and to ignore all contextual influences is to attribute excessive weight to micro-level factors.

A final issue that should be addressed is the amount of theory that is being tested on a single case. This problem can only be overcome with further research looking first at

paring away some of the complexity present in the current account. By seeking to add a higher degree of parsimony some concepts presented in this thesis will need to be rejected or modified so as to limit the inherent subjectivity of concepts such as domains, critical points, and identities. Although some subjectivity is bound to remain, developing indicators of these concepts that can be traced in the documentary records of the decision making procedures will undoubtedly facilitate measurement of these concepts. The implication, then, is that some "theoretical pruning" needs to take place before new cases are evaluated using the theory. If this is indeed the case, then it will mean, once again, putting off Lakatosian theory-to-theory tests for the time being.

Theory-to-theory tests, however, will become increasingly important and necessary if any validity for this approach is to be maintained. Because of the inherent "messiness" of theorizing across structures and agents, more parsimonious explanations will always be available. The only reason for keeping a more complex theoretical explanation, therefore, is because it provides a better explanation and "excess empirical content." Consequently, the "thickness" of the theory should be maintained only to the extent that it provides a stronger explanation than competing theories and avoids becoming so messy that it cannot be tested. For the time being, however, the theoretical arguments need more work before being tested against competing explanations.

When government documents relating to the war are opened, it will be possible to better evaluate the expectations of the theory. In particular, more emphasis could be placed on the choices processes that led to the options in the decision makers feasible set.

This would also give us more insight into the process of identity and interest construction leading up to the conflict, and into the domain of specific decision makers during the crisis.

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